

# ELYSEE

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## DEVELOPMENT CORP.

**Management's Discussion and Analysis  
For the Six-month period Ended June 30, 2024**

Contact Information

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## **ELYSEE DEVELOPMENT CORP.**

### **Management's Discussion and Analysis**

#### **For the Six-month period Ended June 30, 2024**

*This management's discussion and analysis ("MD&A") of Elysee Development Corp. ("Elysee" or "the Company"), dated August 7, 2024 should be read in conjunction with the accompanying condensed consolidated interim financial statements and notes for the six-month period ended June 30, 2024. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as noted, all financial amounts are expressed in Canadian dollars. Additional information relating to the Company is available on SEDAR and may be accessed at [www.sedarplus.ca](http://www.sedarplus.ca).*

#### **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

This document contains certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans" "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. In particular, the forward-looking statements in this MD&A include: (i) under the heading "*Outlook*" statements relating to the Company's capital expenditure plans for 2024; and (ii) under the heading "*Liquidity and Capital Resources*" the statement that the Company believes it has sufficient funds to fund its currently planned administrative budget through the balance of fiscal 2024. Forward-looking statements involve numerous risks and uncertainties. Estimates and forward-looking statements are based on assumptions of future events and actual results may vary from these estimates.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, and continued availability of capital and financing, and general economic, market or business conditions and other factors discussed under the heading "*Risks and Uncertainties*". Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

NAV is a non-GAAP (generally accepted accounting principles) measure calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. For the purpose of this calculation, share purchase warrants held by the Company were valued using the Black-Scholes model calculation, as reported in our annual and quarterly financial statements. The term NAV does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. There is no comparable GAAP measure presented in the Company's financial statements and thus no applicable quantitative reconciliation for such non-GAAP financial measure. The Company believes that NAV can provide information useful to its shareholders in understanding its performance and may assist in the evaluation of its business relative to that of its peers.

## OVERVIEW AND OVERALL PERFORMANCE

Elysee completed a Change of Business from a “mining issuer” to an “investment issuer” on December 31, 2015.

The Company believes that the experience and contacts of its board of directors and management will enable it to identify and capitalize upon investment opportunities as an "investment issuer". The Company's goal is to seek returns through investments in the securities of other companies. The Company's primary investments have been in junior mining and exploration companies active in the gold and silver sector and other metals. Occasionally the Company invests in other sectors as well.

On June 30, 2024 the Company had assets of \$13,065,241 and shareholder's equity was \$11,249,951.

The net asset value of the Company including the fair market value of the investment warrants was \$0.40 per share on June 30, 2024.

During the three-month period ended June 30, 2024 the Company had a net and comprehensive loss of \$341,799 compared to a net and comprehensive loss of \$1,076,898 during the same period a year before. Investment income during the three-month period ended June 30, 2024 was primarily derived from unrealized gains on marketable securities of \$315,785 and interest and dividend income of \$26,026, partially offset by realized losses on the sale of marketable securities of \$369,166, unrealized losses on other investments of \$169,698 and interest write-offs of \$31,685. Investment loss during the prior year three-month period ended June 30, 2023 was primarily derived from unrealized losses on marketable securities of \$1,295,213 offset by interest and dividend income of \$274,418 and realized gains on marketable securities of \$89,118.

During the six-month period ended June 30, 2024 the Company had a net and comprehensive loss of \$63,363 compared to a net and comprehensive loss of \$502,222 during the same period a year before. Investment income during the six-month period ended June 30, 2024 was primarily derived from unrealized gains on marketable securities of \$800,514 and interest and dividend income of \$84,310, partially offset by realized losses on the sale of marketable securities of \$515,752, unrealized losses on other investments of \$169,698 and interest write-offs of \$31,685. Investment loss during the prior year six-month period ended June 30, 2023 was primarily derived from unrealized losses on marketable securities of \$558,536 and realized losses on the sale of marketable securities of \$22,341 offset by interest and dividend income of \$370,852.

General and administrative expenses declined from \$278,404 in the six-month period ended June 30, 2023 to \$227,072 in the six-month period ended June 30, 2024 mainly as a result of lower share-based payments and reduced management fees.

On June 14, 2024, the Company closed a non-brokered private placement of convertible debentures (the “Convertible Debentures”) for gross proceeds of \$2,000,000. The Convertible Debentures will mature on June 14, 2028 (the “Maturity Date”) and bear interest at 8% per annum, payable quarterly with the first payment being for the period from June 14, 2024 to September 30, 2024. At the option of the holder, the principal amount of the Convertible Debentures is convertible into common shares of the Company (“Common shares”) at any time from June 14, 2024 until the Maturity Date at a price equal to \$0.38 per Common Share. The Company may elect to redeem the Convertible Debentures at 102% of the nominal value at any time after June 14, 2027 and prior to the Maturity Date. The Convertible Debentures are subject to a hold period until October 15, 2024. No finder fees were paid.

During the six-month period ended June 30, 2024 the Company invested approximately \$2,135,000 in publicly listed companies in the U.S. and Canada.

The value of the warrants in the Company's portfolio increased \$119,173 to \$257,833 as at June 30, 2024 from \$138,660 as at December 31, 2023. The fair market value is determined based on the Black-Scholes Pricing Model. The intrinsic value of the Company's investment warrants was \$5,250 on June 30, 2024 (\$30,000 on December 31, 2023). The intrinsic value is equal to the difference between the market value of the underlying share less the exercise price of the warrant.

At December 31, 2023, the Company had unused tax losses and tax pools of approximately \$11,344,000 available that may be used to offset taxes that would otherwise be payable on the Company's future comprehensive earnings. For more information, please refer to Note 9 of the audited annual consolidated financial statements for the year ended December 31, 2023 on the Company's web site and available at [www.sedarplus.ca](http://www.sedarplus.ca).

On May 9, 2024, the Company received approval from the TSX Venture Exchange (the "Exchange") to renew its Normal Course Issuer Bid (the "NCIB"). The original NCIB started on May 3, 2013. Pursuant to the NCIB, the Company may purchase for cancellation, from time to time, as it considers advisable, up to 1,418,238 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 renewed NCIB commenced on May 13, 2024 and will terminate on May 12, 2025, or such earlier time as the NCIB is completed or at the option of the Company. Research Capital Corporation of Vancouver, B.C. will conduct the NCIB on behalf of the Company. The Company purchased 173,000 of its common shares at a total cost of \$47,065 pursuant to the normal course issuer bid from January 1, 2024 to June 30, 2024.

The Board of Directors of the Company believes that from time-to-time market prices for the Company's common shares do not always reflect the underlying value and that, accordingly, the purchase of common shares under the NCIB will increase the Net Asset Value per share and be advantageous to all remaining shareholders. The NCIB purchases will also afford an increased degree of liquidity to current shareholders who would like to sell their shares and will serve to stabilize the market price for the Company's shares.

## **SIGNIFICANT EQUITY INVESTMENTS**

Management considers the Company's most significant investments at June 30, 2024 to be as follows:

One of the Company's significant other (private equity) investments is US Vanadium LLC ("US Vanadium"), a US Limited Liability Corporation ("US LLC") which owns and operates 2 facilities in the State of Arkansas USA. US Vanadium manufactures the world's highest purity vanadium oxide, a strategic material that commands a price premium and has few substitutes. It also produces ultra-high purity vanadium redox flow battery electrolyte and many other specialty vanadium chemical products.

As a US LLC, US Vanadium has a fixed number of capital units that always remains the same. When new investments are made, the units are re-allocated among the investors with changes to the effective amount paid per capital unit.

During the year ended December 31, 2023, US Vanadium raised additional capital at lower valuations. Elysee did not participate in these capital raises and as a result its percentage ownership was diluted from 4.75% to 1.24%. As a result, the Company reduced the fair value of its investment from \$3,174,685 to \$1,836,272 to reflect the change to its ownership interest, and recognized an unrealized loss on other investments of \$1,338,413.

During the six-month period ended June 30, 2024, US Vanadium raised additional capital at lower valuations. Elysee did not participate in these capital raises and as a result its percentage ownership was diluted from 1.24% to 0.93%. As a result, the Company reduced the fair value of its investment from \$1,836,272 to \$1,736,963 to reflect the change to its ownership interest and recognized an unrealized loss on other investments of \$99,309.

During the month of May 2024, US Vanadium decided to halt all production at both plants due to low vanadium prices and relatively weak demand. US Vanadium used the downtime to install new equipment and perform major maintenance work at both plants. In early June 2024 both plants were re-started and are currently operating normally.

During Q2 Elysee sold several older underperforming investments thereby realizing a loss on the sale of marketable securities of \$369,166 for the three months ended June 30, 2024. New investments were made in Lithium South Development Corporation, West Red Lake Gold Mines Ltd. and several developing copper and gold companies.

Realized gains were made on the partial sale of shares of Agnico Eagle Mines Limited, Equity Metals Corporation and Wesdome Gold Mines Ltd. due to the strong performance of the gold sector.

On June 24, 2024, Victoria Gold Corp reported a heap leach pad incident. A few days after the incident it became clear that the damage to the environment and to the infrastructure was serious causing a very significant drop in Victoria's stock price. The negative impact on the value of the investment portfolio was approximately \$350,000. After analyzing the situation carefully, the Company took the decision to sell the shares of Victoria Gold Corp.

## OUTLOOK

At June 30, 2024 the Company's statement of financial position includes working capital of \$10,864,969 inclusive of \$2,348,393 of cash and cash equivalents, \$40,000 in a loan receivable (received subsequent to quarter end) and \$8,474,129 in marketable securities.

Our robust cash position, well in excess of \$2 million, allows us to take advantage of opportunities created by the recent volatility on the markets.

Management believes the Company's financial position remains strong and is sufficient to cover planned administration costs for at least a twelve-month period.

## RESULTS OF OPERATIONS – SIX-MONTH PERIOD ENDED JUNE 30, 2024

The Company's net and comprehensive loss for the six-month period ended June 30, 2024 was \$63,363 (\$0.00 basic loss per share) compared to a net and comprehensive loss of \$502,222 (\$0.02 basic loss per share) for the six-month period ended June 30, 2023.

The significant changes in net and comprehensive loss during the current fiscal six-month period compared to the prior year are as follows:

There was a realized loss on the sale of marketable securities of \$515,752 for the six-month period ended June 30, 2024 compared to a realized loss on the sale of marketable securities of \$22,341 in the prior year. Transactions costs of \$7,849 were recognized for the six-month period ended June 30, 2024 compared to \$11,205 in the prior year.

There was an unrealized gain on marketable securities of \$800,514 for the six-month period ended June 30, 2024 compared to an unrealized loss of \$558,536 in the prior year.

There was an unrealized loss on other investments of \$169,698 for the six-month period ended June 30, 2024 compared to nothing in the prior year. \$99,309 was due to the write down of US Vanadium and \$70,489 due to Assure Holding Corp.

There was a decrease of \$286,542 of interest and dividend income to \$84,310 for the six-month period ended June 30, 2024 from \$370,852 during the prior year. A significant amount of the decrease was due to a special dividend receivable from Spartan Delta Corp. of \$195,170 that was included in the prior year.

Interest write-off of \$31,685 was due to \$26,927 accrued convertible bond interest of Wildpack Beverage Inc. and \$4,758 from Assure Holdings Corp. that are not expected to be received.

Bank charges and interest increased \$7,385 to \$9,886 for the six-month period ended June 30, 2024 from \$2,501 incurred during the six-month period ended June 30, 2023 due to the accrual of \$7,452 interest on the convertible debentures.

Legal and accounting expenses increased \$9,675 to \$56,892 for the six-month period ended June 30, 2024 from \$47,217 incurred during the six-month period ended June 30, 2023 mainly due to legal costs ensuring the Companies legal right to one of its private company investments.

Management fees decreased \$14,600 to \$60,000 for the six-month period ended June 30, 2024 from \$74,600 incurred during the six-month period ended June 30, 2023 due to the retirement of an Officer in the prior year.

There was a share-based payment expense of \$5,445, a non-cash item, on stock options granted and vested during the six-month period ended June 30, 2024 as compared to \$65,443 during the same period a year prior.

Travel expenses increased \$6,518 to \$14,950 for the six-month period ended June 30, 2024 from \$8,432 incurred during the six-month period ended June 30, 2023 due to the attendance at an Investment Conference.

All other general and administrative costs incurred during the current six-month period were comparable to those incurred in the six-month period a prior year.

#### **RESULTS OF OPERATIONS – THREE-MONTH PERIOD ENDED JUNE 30, 2024**

The Company's net and comprehensive loss for the three-month period ended June 30, 2024 was \$341,799 (\$0.01 basic loss per share) compared to a net and comprehensive loss of \$1,076,898 (\$0.04 basic loss per share) for the three-month period ended June 30, 2023.

The significant changes in net and comprehensive loss during the current fiscal three-month period compared to the prior year are as follows:

There was a realized loss on the sale of marketable securities of \$369,166 for the three-month period ended June 30, 2024 compared to a realized gain on the sale of marketable securities of \$89,118 in the prior year. Transactions costs of \$3,774 were recognized for the three-month period ended June 30, 2024 compared to \$3,897 in the prior year.

There was an unrealized gain on marketable securities of \$315,785 for the three-month period ended June 30, 2024 despite the significant loss caused by the share price implosion of Victoria Gold Corp. This compares to an unrealized loss of \$1,295,213 in the prior year.

There was an unrealized loss on other investments of \$169,698 for the three-month period ended June 30, 2024 compared to nothing in the prior year. \$99,309 was due to the write down of US Vanadium and \$70,489 due to Assure Holding Corp.

There was a decrease of \$248,392 of interest and dividend income to \$26,026 for the three-month period ended June 30, 2024 from \$274,418 during the prior year. A significant amount of the decrease was due to a special dividend receivable from Spartan Delta Corp. of \$195,170 that was included in the prior year.

Interest write-off of \$31,685 was due to \$26,927 accrued convertible bond interest of Wildpack Beverage Inc. and \$4,758 from Assure Holdings Corp. which are not expected to be received.

Bank charges and interest increased \$7,191 to \$8,437 for the three-month period ended June 30, 2024 from \$1,246 incurred during the three-month period ended June 30, 2023 due to the accrual of \$7,452 interest on the convertible debentures.

Legal and accounting expenses increased \$10,467 to \$34,328 for the six-month period ended June 30, 2024 from \$23,861 incurred during the three-month period ended June 30, 2023 mainly due to legal costs ensuring the Companies legal right to one of its private company investments.

There was a share-based payment expense of \$174, a non-cash item, on stock options granted and vested during the three-month period ended June 30, 2024 as compared to \$40,960 during the same period a year prior.

All other general and administrative costs incurred during the current three-month period were comparable to those incurred in the three-month period a prior year

## SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's quarterly financial statements for the past eight quarters:

| Quarter Ended                 | Net and Comprehensive Earnings (Loss) | Basic Earnings (Loss) per Share |
|-------------------------------|---------------------------------------|---------------------------------|
| June 30, 2024 (Q2, 2024)      | \$(341,799)                           | \$(0.01)                        |
| March 31, 2024 (Q1, 2024)     | \$278,436                             | \$0.01                          |
| December 31, 2023 (Q4, 2023)  | \$(2,131,366)                         | \$(0.07)                        |
| September 30, 2023 (Q3, 2023) | \$(1,400,850)                         | \$(0.05)                        |
| June 30, 2023 (Q2, 2023)      | \$(1,076,898)                         | \$(0.04)                        |
| March 31, 2023 (Q1, 2023)     | \$574,676                             | \$0.02                          |
| December 31, 2022 (Q4, 2022)  | \$1,538,116                           | \$0.05                          |
| September 30, 2022 (Q3, 2022) | \$(1,170,364)                         | \$(0.04)                        |

The Company's net and comprehensive earnings fluctuate significantly from quarter to quarter depending on the valuation of its marketable securities. The marketable securities are based on the fair market value of the underlying shares or convertible debentures that are traded in an active market and the warrant valuations are based on the Black-Scholes Option Pricing Model. These fair value measurements can change dramatically depending on the price of the underlying securities and other observable inputs.

The Company's net and comprehensive loss was \$341,799 for the three-month period ended June 30, 2024 (Q2, 2024) and was mainly the result of a realized loss on marketable securities of \$369,166, unrealized loss on other investments of \$169,698, \$3,774 in transaction costs, \$31,685 for interest write-offs and \$110,593 in general and administrative expenses offset by a \$315,785 unrealized gain on marketable securities, \$26,026 of interest and dividend income and an unrealized foreign exchange gain of \$1,306.

The Company's net and comprehensive earnings were \$278,436 for the three-month period ended March 31, 2024 (Q1, 2024) and was mainly the result of a \$484,727 unrealized gain on marketable securities, \$58,285 of interest income and a \$2,565 unrealized foreign exchange gain offset by a \$146,587 realized loss on marketable securities, \$4,075 in transaction costs and \$116,479 in general and administrative expenses.

The Company's net and comprehensive loss was \$2,131,366 for the three-month period ended December 31, 2023 (Q4, 2023) and was mainly the result of an unrealized loss on other investments of \$1,810,495, realized loss on marketable securities of \$207,007, \$2,243 in transaction costs, unrealized foreign exchange loss of \$3,314 and \$164,543 in general and administrative expenses offset by a \$121,310 unrealized gain on marketable securities and \$69,135 of interest and dividend income.

The Company's net and comprehensive loss was \$1,400,850 for the three-month period ended September 30, 2023 (Q3, 2023) and was mainly the result of a \$1,264,012 unrealized loss on marketable securities, \$1,825 in transaction costs, a \$166,830 write-down of other investments and \$94,489 in general and administrative expenses offset by a \$42,939 realized gain on marketable securities, \$2,202 unrealized foreign exchange gain and \$81,165 of interest and dividend income.

The Company's net and comprehensive loss was \$1,076,898 for the three-month period ended June 30, 2023 (Q2, 2023) and was mainly the result of a \$1,295,213 unrealized loss on marketable securities, \$3,897 in transaction costs, \$3,979 unrealized foreign exchange loss and \$137,345 in general and administrative expenses offset by a \$89,118 realized gain on marketable securities and \$274,418 of interest and dividend income.

The Company's net and comprehensive earnings were \$574,676 for the three-month period ended March 31, 2023 (Q1, 2023) and was mainly the result of a \$736,677 unrealized gain on marketable securities, \$96,434 of interest income and a \$1,392 unrealized foreign exchange gain offset by a \$111,460 realized loss on marketable securities, \$7,308 in transaction costs and \$141,059 in general and administrative expenses.

The Company's net and comprehensive earnings were \$1,538,116 for the three-month period ended December 31, 2022 (Q4, 2022) and was mainly the result of a \$69,419 realized gain on marketable securities, \$510,105 unrealized gain on marketable securities, \$1,132,634 unrealized gain on other investments, \$77,544 of interest income and a \$6,457 unrealized foreign exchange gain offset by \$254,465 in general and administrative expenses and \$3,578 in transaction costs.

The Company's net and comprehensive loss was \$1,170,364 for the three-month period ended September 30, 2022 (Q3, 2022) and was mainly the result of a \$40,072 realized loss on marketable securities, \$1,035,974 unrealized loss on marketable securities, \$4,707 in transaction costs and \$176,623 in general and administrative expenses offset by a \$5,802 unrealized foreign exchange gain and \$81,210 of interest income.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company relies on its working capital and equity financings to fund its investing and administrative costs.

As at June 30, 2024, the Company had working capital of \$10,864,969 mainly comprised of cash and cash equivalents of \$2,348,393 and marketable securities of \$8,474,129. This compares to working capital of \$8,928,557 at December 31, 2023, which included \$849,798 in cash and cash equivalents and marketable securities of \$7,982,179.

On June 14, 2024, the Company closed a non-brokered private placement of convertible debentures (the "Convertible Debentures") for gross proceeds of \$2,000,000. The Convertible Debentures will mature on June 14, 2028 (the "Maturity Date") and bear interest at 8% per annum, payable quarterly with the first payment being for the period from June 14, 2024 to September 30, 2024. At the option of the holder, the principal amount of the Convertible Debentures is convertible into common shares of the Company ("Common shares") at any time from June 14, 2024 until the Maturity Date at a price equal to \$0.38 per Common Share. The Company may elect to redeem the Convertible Debentures at 102% of the nominal value at any time after June 14, 2027 and prior to the Maturity Date. The Convertible Debentures are subject to a hold period until October 15, 2024.

The increase of \$1,498,595 in cash and cash equivalents during the six-month period ended June 30, 2024 was mainly due to the issuance of \$2,000,000 convertible debentures and \$1,877,931 proceeds from sale of investments offset by \$2,135,533 purchase of investments and \$47,065 purchase of common shares returned to treasury.

Total assets as at June 30, 2024 increased to \$13,065,241 from \$11,220,005 as at December 31, 2023. As at the date of this MD&A, the Company has approximately \$2,150,000 in cash and cash equivalents.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.



## TRANSACTIONS WITH RELATED PARTIES

The Company's Board of Directors consists of Guido Cloetens, Gaston Reymenants, Thibaut Lepouttre and Martin Burian. Guido Cloetens is the Company's President and Chief Executive Officer, Martin Burian is the Company's Chairman and Gord Steblin is the Company's Chief Financial Officer.

The Company paid amounts to related parties as follows:

|                                                        | For the<br>three-month<br>period ended<br>June 30, 2024 | For the<br>three-month<br>period ended<br>June 30, 2023 | For the<br>six-month<br>period ended<br>June 30, 2024 | For the<br>six-month<br>period ended<br>June 30, 2023 |
|--------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| Management fees                                        | \$ 30,000                                               | \$ 31,500                                               | \$ 60,000                                             | \$ 73,500                                             |
| Accounting fees                                        | 17,325                                                  | 17,325                                                  | \$ 34,650                                             | \$ 33,825                                             |
| Director fees                                          | 4,725                                                   | 4,725                                                   | \$ 9,450                                              | \$ 7,725                                              |
| <b>Total key management<br/>personnel compensation</b> | <b>\$ 52,050</b>                                        | <b>\$ 53,550</b>                                        | <b>\$ 104,100</b>                                     | <b>\$ 115,050</b>                                     |

On April 3, 2023, the Company granted 240,000 options to directors and officers, exercisable at \$0.50 per share with 50% vested immediately and 50% vested on April 3, 2024. The fair value of the options granted to directors and officers was \$37,805 of which \$32,950 was attributed to the year ended December 31, 2023 and \$4,855 was attributed to the period ended June 30, 2024.

On May 17, 2022, the Company granted 600,000 options to directors and officers, exercisable at \$0.70 per share with 50% vested immediately and 50% vested on May 17, 2023. The fair value of the options granted to directors and officers was \$146,112 of which \$118,691 was attributed to the year ended December 31, 2022 and \$27,421 was attributed to the year ended December 31, 2023.

During the six-month period ended June 30, 2024, the Company paid \$18,000 (June 30, 2023 - \$15,000) for office rent and expenses, and administrative and general expenses including shareholder relations costs to a company controlled by the Chief Executive Officer.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's 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 financial statements and reported amounts of income 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.

## CHANGE IN ACCOUNTING POLICY

There were no new or amended accounting standards or interpretations that had a significant impact on the Company's consolidated financial statements during the periods ended June 30, 2024 and December 31, 2023.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

|                                    | June 30, 2024        | December 31, 2023    |
|------------------------------------|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>            |                      |                      |
| <b>FVTPL</b>                       |                      |                      |
| Cash and cash equivalents          | \$ 2,348,393         | \$ 849,798           |
| Marketable securities              | 8,474,129            | 7,982,179            |
| Other investments                  | 2,162,717            | 2,299,850            |
| <b>Amortized cost</b>              |                      |                      |
| Interest receivable                | 26,647               | 42,715               |
| Loan receivable                    | 40,000               | 40,000               |
| <b>Total financial assets</b>      | <b>\$ 13,051,886</b> | <b>\$ 11,214,542</b> |
| <b>FINANCIAL LIABILITIES</b>       |                      |                      |
| <b>Amortized cost</b>              |                      |                      |
| Trade and other payables           | \$ 30,103            | \$ 62,087            |
| Other current liabilities          | 7,452                | -                    |
| Convertible debentures             | 1,777,735            | -                    |
| <b>Total financial liabilities</b> | <b>\$ 1,815,290</b>  | <b>\$ 62,087</b>     |

### 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 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. The \$257,833 Black-Scholes valuation of warrants held as investments is substantially higher than the intrinsic value based on the warrant exercise price compared to the market price.

- Level 3 - fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

|                                             | Level 1              | Level 2           | Level 3            | Total                |
|---------------------------------------------|----------------------|-------------------|--------------------|----------------------|
| <b>As at June 30, 2024</b>                  |                      |                   |                    |                      |
| Cash and cash equivalents                   | \$2,348,393          | \$ -              | \$ -               | \$ 2,348,393         |
| Marketable securities - shares              | 7,878,579            | -                 | -                  | 7,878,579            |
| Marketable securities - convertible debt    | 337,717              | -                 | -                  | 337,717              |
| Marketable securities - warrants            | -                    | 257,833           | -                  | 257,833              |
| Other investments - equity                  | -                    | -                 | 1,862,979          | 1,862,979            |
| Other investments - convertible debt        | -                    | -                 | 299,738            | 299,738              |
| <b>Total financial assets at fair value</b> | <b>\$ 10,564,689</b> | <b>\$ 257,833</b> | <b>\$2,162,717</b> | <b>\$ 12,985,239</b> |

|                                             | Level 1             | Level 2           | Level 3            | Total                |
|---------------------------------------------|---------------------|-------------------|--------------------|----------------------|
| <b>As at December 31, 2023</b>              |                     |                   |                    |                      |
| Cash and cash equivalents                   | \$849,798           | \$ -              | \$ -               | \$ 849,798           |
| Marketable securities - shares              | 7,354,660           | -                 | -                  | 7,354,660            |
| Marketable securities - convertible debt    | 488,859             | -                 | -                  | 488,859              |
| Marketable securities - warrants            | -                   | 138,660           | -                  | 138,660              |
| Other investments - equity                  | -                   | -                 | 1,962,288          | 1,962,288            |
| Other investments - convertible debt        | -                   | -                 | 337,562            | 337,562              |
| <b>Total financial assets at fair value</b> | <b>\$ 8,693,317</b> | <b>\$ 138,660</b> | <b>\$2,299,850</b> | <b>\$ 11,131,827</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 receivables. The Company manages its credit risk relating to cash by dealing only with highly-rated Canadian financial institutions. As at June 30, 2024, there is interest receivable of \$26,647 (December 31, 2023 - \$42,715). 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 \$2,348,393 (December 31, 2023 - \$849,798) to settle current liabilities of \$37,555 (December 31, 2023 - \$62,087), therefore liquidity risk is considered insignificant.

## **Interest rate risk**

The Company's interest rate risk is primarily related to the Company's cash 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. 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.

## **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 in Canadian dollars. 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 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.

## **RISKS AND UNCERTAINTIES**

The Company believes that the following items represent significant areas for consideration.

### ***Cash Flows and Additional Funding Requirements***

The Company has a limited history of operating earnings and no assurances that sufficient funding, including adequate financing, will be available. The sources of funds currently available to the Company include; sale of marketable securities, raising equity or debt capital.

### ***Composition of Portfolio***

The composition of the Company's securities portfolio taken as a whole may vary widely from time to time, particularly equity securities in which the Company invests in the natural resource sector which often have very high volatilities. The Company may make investments in securities that have low trading volumes. Accordingly, it may be difficult for the Company to make trades in these securities without adversely affecting the price of such securities.

### ***Stock Price and Performance***

The Company's stock price may vary according to the value of the securities in which it invests, which will depend, in part, upon the performance of the issuers of such securities. The value of the securities acquired by the Company will be affected by business factors and risks that are beyond the control of the Company. In addition, the performance of certain of the securities may be affected by business factors and risks other than their exposure to metal and mineral prices, which may be more determinative of such securities performance. Some of the factor and risks are: (i) some of

the issuers in which the Company invests may have limited operating histories, (ii) operational risks related to specific business activities of the respective issuers; (iii) quality of underlying assets; (iv) financial performance of the respective issuers and their competitors; (v) volatility in the price of metal and mineral prices; (vi) environmental risks; (vii) political risks; (viii) fluctuation in exchange rates; (ix) fluctuation in interest rates; and (x) government regulation, including regulation to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection.

There is no assurance that the investment objectives of the Company will actually be achieved. The value of the shares of the Company may increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Company's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors.

### ***Key Management***

The success of the Company will be largely dependent upon the performance of its key officers and consultants. The success of the Company is largely dependent on the discretion and ability of the Company in determining the composition of the portfolio of assets, and in negotiating the pricing and other terms of the agreements leading to the acquisition of assets. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

### ***Conflict of Interest***

Some of the Company's directors and officers are directors and officers of other reporting companies. These associations may give rise from time to time to conflicts of interest. As a result of, the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The ability to liquidate investments held by the Company in corporations with common director may be impaired by trading black-out periods imposed on insiders of such entities.

### **SUBSEQUENT EVENTS**

Subsequent to June 30, 2024, the Company repurchased 40,500 common shares of the Company pursuant to the Normal Course Issuer Bid.

On July 15, 2024, the Company granted 140,000 restricted share units ("RSUs") to directors and officers pursuant to its equity incentive plan. The RSUs vest annually in three equal tranches over a period of three years with the first vesting on July 15, 2025.

In August of 2024, the Company reached an agreement with Baker Street Scientific Corp to pay back a debenture that was due on September 24, 2023. It was agreed that the debenture will be paid back in different tranches.

On August 6, 2024, the Company received a payment of US\$132,000 from BakerSci Corp. consisting of interest payments, certain fees and a downpayment of US\$50,000 of the original US\$300,000 note. Elysee had written off this note and the associated interest payments in Q4 2023. As a result of the recovery of this amount we expect to book an exceptional gain in Q3 2024.

### **OUTSTANDING SHARE DATA**

The Company is authorized to issue unlimited common shares without par value. As at August 7, 2024, there were 28,412,113 outstanding common shares.

The following table summarizes information regarding stock options outstanding and exercisable as at August 7, 2024:

| <b>Grant date</b>    | <b>Expiry date</b> | <b>Number of options outstanding</b> | <b>Number of exercisable options</b> | <b>Exercise price</b> |
|----------------------|--------------------|--------------------------------------|--------------------------------------|-----------------------|
| September 18, 2020   | September 18, 2025 | 500,000                              | 500,000                              | \$ 0.42               |
| May 17, 2022         | May 17, 2027       | 1,050,000                            | 1,050,000                            | \$ 0.70               |
| April 3, 2023        | April 3, 2028      | 300,000                              | 300,000                              | \$ 0.50               |
| <b>Total options</b> |                    | <b>1,850,000</b>                     | <b>1,850,000</b>                     |                       |

On July 15, 2024, the Company granted 140,000 restricted share units (“RSUs”) to directors and officers pursuant to its equity incentive plan. The RSUs vest annually in three equal tranches over a period of three years with the first vesting on July 15, 2025.

There were no warrants outstanding as at June 30, 2024 or August 7, 2024.