

# **ELYSEE**

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## **DEVELOPMENT CORP.**

### **Condensed Interim Financial Statements**

**May 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 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 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 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.

## Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at May 31, 2018	As at November 30, 2017 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 2,083,754	\$ 882,010
Receivables	5	35,610	88,999
Prepaid expenses	6	7,001	7,388
Marketable securities	7	10,068,610	10,681,519
		<b>12,194,975</b>	11,659,916
<b>Total assets</b>		<b>\$ 12,194,975</b>	\$ 11,659,916
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	\$ 10,570	\$ 33,811
Due to related parties		-	125,000
<b>Total liabilities</b>		<b>10,570</b>	158,811
<b>Equity</b>			
Common shares	9	42,007,753	42,095,833
Contributed surplus	9	13,921,106	13,836,922
Deficit		(43,744,454)	(44,431,650)
<b>Total equity</b>		<b>12,184,405</b>	11,501,105
<b>Total liabilities and equity</b>		<b>\$ 12,195,975</b>	\$ 11,659,916

Basis of Preparation (Note 2) and Subsequent Events (Note 15)

### APPROVED ON BEHALF OF THE BOARD:

*"Stuart Rogers"*

Director

Stuart Rogers

*"Guido Cloetens"*

Director

Guido Cloetens

**Elysee Development Corp.**  
**Statements of Earnings and Comprehensive Earnings**  
(Expressed in Canadian dollars)

	Notes	For the three month period ended May 31, 2018	For the three month period ended May 31, 2017	For the six month period ended May 31, 2018	For the six month period ended May 31, 2017
<b>Net investment income</b>					
Realized gain on sale of marketable securities	7	\$ 667,023	\$ 359,929	\$ 1,418,339	\$ 814,670
Unrealized gain (loss) on marketable securities	7	(511,913)	(752,611)	(188,091)	(104,382)
Unrealized foreign exchange gain (loss)		528	903	(963)	(70)
Interest and dividend income		31,341	21,846	46,110	52,006
<b>Total net investment income</b>		<b>186,979</b>	<b>(369,933)</b>	<b>1,275,395</b>	<b>762,224</b>
<b>General and administrative expenses</b>					
Advertising and promotion		775	428	1,068	888
Bank charges and interest		426	423	1,032	1,090
Director fees	13	3,075	3,075	6,400	6,525
Legal and accounting		25,735	19,525	45,849	45,996
Management fees	13	38,250	38,250	77,750	78,375
Office and miscellaneous		3,120	5,427	6,662	10,545
Rent		473	2,573	945	5,145
Share-based payments	9 & 13	-	-	96,649	-
Transfer agent, filing fees and shareholder communications		14,333	15,225	17,253	18,488
Travel and entertainment		16,110	13,907	22,537	18,851
<b>Total general and administrative expenses</b>		<b>(102,297)</b>	<b>(98,833)</b>	<b>(276,145)</b>	<b>(185,903)</b>
Other taxes		-	(32,918)	-	(32,918)
<b>Net earnings (loss) and comprehensive earnings (loss) for the period</b>		<b>\$ 84,682</b>	<b>\$ (501,684)</b>	<b>\$ 999,250</b>	<b>\$ 543,403</b>
<b>Basic and diluted earnings per share</b>					
Earnings per share - basic	10	\$ 0.00	\$ (0.02)	\$ 0.05	\$ 0.03
Earnings per share - diluted	10	\$ 0.00	\$ (0.02)	\$ 0.05	\$ 0.02

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

# Elysee Development Corp.

## Statements of Cash Flows

(Expressed in Canadian dollars)

		Six month period ended May 31	
	Notes	2018	2017
<b>OPERATING ACTIVITIES</b>			
Earnings for the period		\$ 999,250	\$ 543,403
Adjustments for:			
Accrued interest income		(33,001)	(29,447)
Share-based payments	9 & 13	96,649	-
Realized gain on sale of marketable securities	7	(1,418,339)	(814,670)
Unrealized (gain) loss on marketable securities	7	188,091	104,382
Purchase of marketable securities	7	(3,321,021)	(2,072,619)
Proceeds from sale of marketable securities	7	5,164,178	2,968,090
Adjustments for non-cash working capital items:			
Decrease in receivable		86,390	29,859
Decrease (increase) in prepaid expenses		388	(2,115)
Increase (decrease) in trade and other payables		(23,242)	44,586
Decrease in due to related parties		(125,000)	(167,500)
<b>Cash provided by (used in) operating activities</b>		<b>1,614,343</b>	<b>603,969</b>
<b>FINANCING ACTIVITIES</b>			
Cash dividends	9	(436,849)	(440,819)
Stock options exercised	9	45,000	-
Purchase of common shares returned to treasury	9	(20,750)	(91,900)
<b>Cash used in financing activities</b>		<b>(412,599)</b>	<b>(532,719)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>1,201,744</b>	<b>71,250</b>
Cash and cash equivalents, beginning of year		882,010	1,214,972
<b>Cash and cash equivalents, end of period</b>		<b>\$ 2,083,754</b>	<b>\$ 1,286,222</b>

Supplemental cash flow information (Note 14)

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

# Elysee Development Corp.

## Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes	Number of common shares	Common shares	Contributed surplus	Deficit	Total
Balances, November 30, 2016		22,040,974	\$42,987,375	\$ 13,767,263	\$ (45,184,857)	\$ 11,569,781
Common shares returned to treasury	9	(244,000)	(475,873)	-	383,973	(91,900)
Cash dividend declared	9	-	-	-	(440,819)	(440,819)
Net earnings for the period		-	-	-	543,403	543,403
Balances, May 31, 2017		21,796,979	42,511,502	13,767,263	(44,698,300)	11,580,465
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 dividends declared	9	-	-	-	(436,849)	(436,849)
Share-based payments	9	-	-	96,649	-	96,649
Net earnings for the period		-	-	-	999,250	999,250
<b>Balances, May 31, 2018</b>		<b>21,842,474</b>	<b>\$ 42,007,753</b>	<b>\$ 13,921,106</b>	<b>\$ (43,744,454)</b>	<b>\$ 12,184,405</b>

The accompanying notes are an integral part of these 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 interim financial statements as at May 31, 2018 and for the six month period then ended 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 has net comprehensive earnings of \$999,250 for the six month period ended May 31, 2018 (May 31, 2017 - \$543,403) and has working capital of \$12,184,405 as at May 31, 2018 (November 30, 2017 - \$11,501,105). Management believes that the Company’s cash position will support operations for the next twelve months.

**2. BASIS OF PREPARATION**

The condensed interim financial statements of the Company for the six month period ended May 31, 2018 were approved and authorized for issue by the Board of Directors on July 17, 2018.

**Basis of presentation**

The Company’s condensed 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 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 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 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 financial statements for the year ended November 30, 2017.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed 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 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 settlement 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:

	May 31, 2018	November 30, 2017
Denominated in Canadian dollars	\$1,937,053	\$ 637,629
Denominated in U.S. dollars	146,701	244,381
<b>Total cash and cash equivalents</b>	<b>\$ 2,083,754</b>	<b>\$ 882,010</b>

At May 31, 2018 and November 30, 2017, all of the Company's cash and cash equivalents were classified as cash.

**5. RECEIVABLES**

The Company's primary receivables arise from interest receivable and other receivable from the sale of investments as follows:

	<b>May 31, 2018</b>	November 30, 2017
Interest receivable	<b>\$ 33,861</b>	\$ 26,983
Dividend receivable	<b>1,749</b>	-
Other receivable – sale of marketable securities	-	62,016
<b>Total trade and other receivables</b>	<b>\$ 35,610</b>	\$ 88,999

**6. PREPAID EXPENSES**

The Company's prepaid expenses are as follows:

	<b>May 31, 2018</b>	November 30, 2017
Insurance	<b>\$ 7,001</b>	\$ 3,180
Travel	-	4,208
<b>Total prepaid expenses</b>	<b>\$ 7,001</b>	\$ 7,388

**Elysee Development Corp.**  
**Notes to the Financial Statements**  
 May 31, 2018  
 (Expressed in Canadian dollars)

**7. MARKETABLE SECURITIES**

The Company's marketable securities are as follows:

	Marketable securities	Warrants	Convertible debentures	Total	Total gain (loss)
<b>COST</b>					
November 30, 2016	\$ 6,857,654	\$ -	\$ 1,224,990	\$ 8,082,644	
Additions	4,731,959	-	180,244	4,912,203	
Proceeds on sale	(5,428,992)	-	(488,017)	(5,917,009)	
Realized gain	1,882,120	-	(84,171)	1,797,949	
November 30, 2017	8,042,741	-	833,046	8,875,787	
Additions	2,744,700	-	576,321	3,321,021	
Proceeds on sale	(4,914,115)	-	(250,063)	(5,164,178)	
Realized gain (loss)	1,418,117	-	222	1,418,339	
<b>May 31, 2018</b>	<b>\$ 7,291,443</b>	<b>\$ -</b>	<b>\$ 1,159,526</b>	<b>\$ 8,450,969</b>	<b>\$ 1,418,339</b>
<b>FAIR VALUE</b>					
November 30, 2016	\$ 7,819,691	\$ 1,466,793	\$ 1,230,010	\$ 10,516,494	
Additions	4,731,959	-	180,244	4,912,203	
Cost of disposals	(3,546,872)	-	(572,188)	(4,119,060)	
Unrealized gain (loss)	(845,181)	56,242	160,821	(628,118)	
November 30, 2017	8,159,597	1,523,035	998,887	10,681,519	
Additions	2,744,700	-	576,321	3,321,021	
Cost of disposals	(3,495,998)	-	(249,841)	(3,745,839)	
Unrealized gain (loss)	(124,733)	37,100	(100,458)	(188,091)	
<b>May 31, 2018</b>	<b>\$ 7,283,566</b>	<b>\$ 1,560,135</b>	<b>\$ 1,224,909</b>	<b>\$ 10,068,610</b>	<b>\$ (188,191)</b>
<b>Total gain for the six months ended May 31, 2018</b>					<b>\$ 1,202,942</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.

Management considers the Company's most significant investments during and subsequent to the three month period ended May 31, 2018 to be as follows:

On June 6, 2018, the Company subscribed for a \$500,000 convertible debenture of IBC Advanced Alloys Corp. ("IBC"). The debenture will be convertible at the option of the Company into IBC common shares at a price of \$0.31 per share. The debenture will bear interest at a rate of 8.25% per annum payable in cash semi-annually and will mature on June 6, 2023. The Company also received 1,150,000 warrants with each warrant entitling the Company to purchase one additional common share of IBC for five years from closing at \$0.37 per share.

On May 14, 2018, the Company subscribed for 200,000 units of Hudson Resource Inc. ("Hudson") in a private placement at \$0.45 per unit for \$90,000. Each unit consists of one common share and one-half warrant, with each whole warrant entitling the Company to purchase one additional common share of Hudson for three years from closing at \$0.75 per share.

On May 10, 2018, the Company subscribed for 11,537 shares of Bioaegis Therapeutics, Inc. (a private US company) at \$5.57 per share for \$64,280.

On April 18, 2018, the Company acquired 740,000 shares of Vendetta Mining Corp. at \$0.18 per share for \$133,200.

On April 12, 2018, the Company subscribed for 500,000 units of TerraX Minerals Inc. ("TerraX") in a private placement at \$0.40 per unit for \$200,000. Each unit consists of one common share and one-half warrant, with each whole warrant entitling the Company to purchase one additional common share of TerraX for three years from closing at \$0.60 per share.

**8. TRADE AND OTHER PAYABLES**

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

	<b>May 31, 2018</b>	November 30, 2017
Trade payables	<b>\$ 10,570</b>	\$ 1,248
Accrued liabilities	-	32,563
<b>Total trade and other payables</b>	<b>\$ 10,570</b>	\$ 33,811

**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, 2018, the Company had 21,842,474 common shares outstanding (November 30, 2017 – 21,692,474) and no preferred shares outstanding (November 30, 2017 - Nil).

**Share issuances and repurchases**

During the six month period ended May 31, 2018, the Company issued 225,000 (May 31, 2017 – Nil) common shares at \$0.20 per share pursuant to the exercise of stock options for proceeds of \$45,000. A total of \$12,465 was reversed from contributed surplus to common shares in connection with stock options exercised.

In addition, 75,000 (May 31, 2017 – 244,000) shares were repurchased at a total cost of \$20,750 (May 31, 2017 - \$91,900) and were returned to the Company's treasury pursuant to the Normal Course Issuer Bid.

**Normal Course Issuer Bid**

On May 4, 2018, 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 1,091,687 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, 2018 and will terminate on May 8, 2019, 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, 2018, the Company purchased 75,000 shares (May 31, 2017 – 244,000) at a total cost of \$20,750 (May 31, 2017 – \$91,900). The difference between the share repurchase price and the original share issuance of \$124,795 (May 31, 2017– \$383,973) has been included in equity.

**Cash dividend**

On January 30, 2018, the Company declared a dividend of \$0.02 per common share. The dividend was paid on February 20, 2018 to shareholders of record on February 12, 2018.

On July 10, 2017, the Company declared a dividend of \$0.01 per common share. The dividend was paid on July 31, 2017 to shareholders of record on July 21, 2017.

On December 6, 2016, the Company declared a dividend of \$0.02 per common share. The dividend was paid on December 22, 2016 to shareholders of record on December 16, 2016.

**Share purchase warrants**

There were no share purchase warrants outstanding for the periods ended May 31, 2018 and November 30, 2017.

**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, 2018 and November 30, 2017:

	May 31, 2018		November 30, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,400,000	\$ 0.28	950,000	\$ 0.25
Granted	650,000	0.33	575,000	0.305
Exercised	(225,000)	0.20	(125,000)	0.20
Expired/cancelled	(100,000)	0.20	-	-
<b>Outstanding, end of period</b>	<b>1,725,000</b>	<b>\$ 0.31</b>	<b>1,400,000</b>	<b>\$ 0.28</b>

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.

On July 10, 2017, the Company granted 575,000 options to directors and officers, exercisable at \$0.305 per share until July 10, 2020. The grant date fair value of the options granted was \$76,584, (\$0.133 per option) based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 0.90%; volatility of 67.49%; 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, 2018:

<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	July 7, 2018	100,000	100,000	\$ 0.30	0.10
August 3, 2016	August 3, 2019	400,000	400,000	\$ 0.30	1.17
July 7, 2017	July 7, 2020	575,000	575,000	\$ 0.305	2.10
February 27, 2018	February 27, 2021	650,000	650,000	\$ 0.33	2.75
<b>Total options</b>		<b>1,725,000</b>	<b>1,725,000</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, 2018</b>	For the three month period ended May 31, 2017	<b>For the six month period ended May 31, 2018</b>	For the six month period ended May 31, 2017
Net earnings (loss) for the period	<b>\$ 84,682</b>	\$ (501,684)	<b>\$ 999,250</b>	\$ 543,403
Weighted average number of shares – basic	<b>21,842,474</b>	21,804,588	<b>21,772,693</b>	21,901,199
Weighted average number of shares – diluted	<b>21,935,568</b>	22,154,357	<b>21,865,787</b>	22,250,968
Basic earnings (loss) per share	<b>\$ 0.00</b>	\$ (0.02)	<b>\$ 0.05</b>	\$ 0.03
Diluted earnings (loss) per share	<b>\$ 0.00</b>	\$ (0.02)	<b>\$ 0.05</b>	\$ 0.02

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 six month periods ended May 31, 2018 and May 31, 2017, 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.

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, 2018. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

Categories of financial instruments

	May 31, 2018	November 30, 2017
<b>FINANCIAL ASSETS</b>		
<b>FVTPL, at fair value</b>		
Cash and cash equivalents	\$ 2,083,754	\$ 882,010
Marketable securities	10,068,610	10,681,519
<b>Loans and receivables, at amortized cost</b>		
Interest and dividend receivables	35,610	26,983
Other receivable – sale of marketable securities	-	62,016
<b>Total financial assets</b>	<b>\$ 12,187,974</b>	<b>\$ 11,652,528</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Other liabilities, at amortized cost</b>		
Trade and other payables	\$ 10,570	\$ 33,811
Due to related parties	-	125,000
<b>Total financial liabilities</b>	<b>\$ 10,570</b>	<b>\$ 158,811</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 condensed 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. As at May 31, 2018, the Company does not have any Level 3 financial instruments.

	Level 1	Level 2	Level 3	Total
<b>As at May 31, 2018</b>				
Cash and cash equivalents	\$ 2,083,754	\$ -	\$ -	\$ 2,083,754
Marketable securities - shares	7,283,566	-	-	7,283,566
Marketable securities - convertible debt	1,224,909	-	-	1,224,909
Marketable securities - warrants	-	1,560,135	-	1,560,135
<b>Total financial assets at fair value</b>	<b>\$ 10,592,229</b>	<b>\$ 1,560,135</b>	<b>\$ -</b>	<b>\$ 12,152,364</b>

	Level 1	Level 2	Level 3	Total
<b>As at November 30, 2017</b>				
Cash and cash equivalents	\$ 882,010	\$ -	\$ -	\$ 882,010
Marketable securities - shares	8,159,597	-	-	8,159,597
Marketable securities - convertible debt	998,887	-	-	998,887
Marketable securities - warrants	-	1,523,035	-	1,523,035
<b>Total financial assets at fair value</b>	<b>\$ 10,040,494</b>	<b>\$ 1,523,035</b>	<b>\$ -</b>	<b>\$ 11,563,529</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, 2018, receivables were comprised of interest and dividend receivable of \$35,610 (November 30, 2017 - \$26,983) and other receivable - sale of marketable securities of \$Nil (November 30, 2017 - \$62,016). 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 \$2,083,754 (November 30, 2017 - \$882,010) to settle current liabilities of \$10,570 (November 30, 2017 - \$158,811), 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 \$10,419 (May 31, 2017 - \$6,431) for the six month period ended May 31, 2018.

### **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 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, 2018</b>	For the three month period ended May 31, 2017	<b>For the six month period ended May 31, 2018</b>	For the six month period ended May 31, 2017
Management fees	<b>\$ 38,250</b>	\$ 38,250	<b>\$ 77,750</b>	\$ 78,375
Accounting fees	<b>21,000</b>	15,750	<b>\$ 37,250</b>	\$ 30,150
Director fees	<b>3,075</b>	3,075	<b>\$ 6,400</b>	\$ 6,525
Share-based payments	-	-	-	-
<b>Total key management personnel compensation</b>	<b>\$ 62,325</b>	\$ 57,075	<b>\$ 121,400</b>	\$ 115,050

During the six month period ended May 31, 2018, the Company granted 650,000 options, exercisable at \$0.33 per share until February 27, 2021 (May 31, 2017 – no options granted) to director and officers of the Company with a vested estimated fair value of \$96,649 (May 31, 2017 - \$Nil).

#### **14. SUPPLEMENTAL CASH FLOW INFORMATION**

During the six month period ended May 31, 2018, the amount credited to deficit on the repurchase of the Company's shares was \$124,795 (May 31, 2017 - \$383,973) (Note 9).

During the six month period ended May 31, 2018, the Company reversed \$12,465 (May 31, 2017 - \$Nil) 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, 2017 - \$Nil) and income taxes of \$Nil (May 31, 2017 - \$Nil) during the six month period ended May 31, 2018.

#### **15. SUBSEQUENT EVENTS**

- i. For the period from June 1 to July 17, 2018, the Company repurchased 25,000 common shares of the Company, which will be cancelled.
- ii. On July 17, 2018, the Company declared an interim dividend of \$0.01 per common share.
- iii. On June 6, 2018, the Company subscribed for a \$500,000 convertible debenture of IBC Advanced Alloys Corp. ("IBC"). The debenture will be convertible at the option of the Company into IBC common shares at a price of \$0.31 per share. The debenture will bear interest at a rate of 8.25% per annum payable in cash semi-annually and will mature on June 6, 2023. The Company also received 1,150,000 warrants with each warrant entitling the Company to purchase one additional common share of IBC for five years from closing at \$0.37 per share.