ELYSEE DEVELOPMENT CORP.

(formerly Alberta Star Development Corp.)

Condensed Interim Financial Statements

August 31, 2016
(Unaudited)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF 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. (formerly Alberta Star 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.
(formerly Alberta Star Development Corp.)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	August 31, 2016	November 30, 2015 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 2,411,110**	$ 4,106,844
Receivables	5	**12,314**	28,468
Prepaid expenses	6	**7,817**	4,763
Marketable securities	7	**10,892,580**	3,920,592
		13,323,821	8,060,667
Equipment	8	**847**	1,429
Total assets		**$ 13,324,668**	$ 8,062,096
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	9	**$ -**	$ 24,187
Total liabilities		**-**	24,187
Equity			
Common shares	10	**43,030,459**	43,258,724
Contributed surplus	10	**13,797,853**	13,772,905
Deficit		**(43,503,644)**	(48,993,720)
Total equity		**13,324,668**	8,037,909
Total liabilities and equity		**$ 13,324,668**	$ 8,062,096

Basis of Preparation (Note 2) and Subsequent Events (Note 17)

APPROVED ON BEHALF OF THE BOARD:

" Stuart Rogers" Director *" Guido Cloetens"* Director

Stuart Rogers Guido Cloetens

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

Elysee Development Corp.
(formerly Alberta Star Development Corp.)
Condensed Interim Statements of Earnings and Comprehensive Earnings
(Expressed in Canadian dollars)

	Notes	For the three month period ended August 31, 2016	For the three month period ended August 31, 2015	For the nine month period ended August 31, 2016	For the nine month period ended August 31, 2015
Net investment gains					
Realized gain on sale of marketable securities	7	**$ 1,101,068**	$15,484	**$ 1,988,029**	$ 1,252,422
Unrealized gain (loss) on marketable securities	7	**1,305,630**	(325,457)	**3,699,126**	(530,762)
Unrealized foreign exchange gain (loss)		**(26,143)**	106,365	**(6,581)**	253,793
Interest and dividend income		**30,788**	20,068	**107,506**	48,447
Realized gain on sale of equipment	8 & 16	**-**	-	**557**	875
Total net investment gains		**2,411,343**	(183,540)	**5,788,637**	1,024,775
General and administrative expenses					
Advertising and promotion		**13,755**	328	**13,755**	1,066
Bank charges and interest		**816**	435	**1,756**	1,060
Depreciation		**55**	93	**165**	397
Director fees	15	**3,000**	4,500	**9,000**	13,500
Legal and accounting	15	**13,005**	31,124	**63,500**	62,609
Management fees	15	**37,500**	30,000	**105,000**	90,000
Office, rent and miscellaneous		**4,433**	13,128	**14,191**	26,239
Rent		**2,550**	-	**6,400**	-
Share-based payments		**63,190**	-	**96,448**	-
Transfer agent, filing fees and shareholder communications		**5,420**	9,863	**22,602**	21,820
Travel and entertainment		**3,972**	-	**15,237**	9,602
Total general and administrative expenses		**(147,696)**	(89,471)	**(348,054)**	(226,293)
Net earnings (loss) and comprehensive earnings (loss) for the period		**$ 2,263,647**	$ (273,011)	**$ 5,440,583**	$ 798,482
Basic and diluted earnings per share					
Earnings per share	12	**$ 0.106**	$ (0.013)	**$ 0.259**	$ 0.038

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

Elysee Development Corp.
(formerly Alberta Star Development Corp.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)

		Nine month period ended	
	Notes	**August 31, 2016**	August 31, 2015
OPERATING ACTIVITIES			
Income for the period		**$ 5,440,583**	$ 798,482
Adjustments for:			
Accrued interest income		**(10,387)**	(36,766)
Depreciation	8	**165**	397
Gain on sale of equipment	8 & 16	**(557)**	(875)
Share-based payments	11 & 15	**96,448**	-
Realized (gain) loss on sale of marketable securities	7	**(1,988,029)**	(1,252,422)
Unrealized (gain) loss on marketable securities	7	**(3,699,126)**	530,762
Operating cash flows before movements in working capital:			
Decrease in receivables		**26,541**	5,289
Decrease (increase) in prepaid expenses		**(3,054)**	910
Decrease in trade and other payables		**(24,187)**	(26,053)
Cash from (used) in operating activities		**(161,603)**	19,724
INVESTING ACTIVITIES			
Purchase of marketable securities	7	**(7,734,395)**	(1,078,448)
Proceeds from sale of marketable securities	7	**6,449,561**	2,453,122
Proceeds on sale of equipment	8 & 16	**975**	3,088
Cash from (used) in investing activities		**(1,283,859)**	1,377,762
FINANCING ACTIVITIES			
Cash dividend	10	**(425,359)**	-
Options exercised	10	**225,000**	-
Purchase of shares to be returned to treasury	10	**(49,913)**	(112,763)
Cash used in financing activities		**(250,272)**	(112,763)
Increase (decrease) in cash and cash equivalents		**(1,695,734)**	1,284,723
Cash and cash equivalents, beginning of year		**4,106,844**	3,890,409
Cash and cash equivalents, end of period		**$ 2,411,110**	$ 5,175,132

Supplemental cash flow information (Note 16)

Elysee Development Corp.
(formerly Alberta Star Development Corp.)
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

	Notes	Number of shares	Common shares	Contributed surplus	Deficit	Total
Balances, November 30, 2014		21,443,979	$ 44,653,865	$ 13,772,905	$ (51,002,418)	$ 7,424,352
Common shares returned to treasury	10	(569,000)	(1,184,829)	-	1,072,066	(112,763)
Net earnings for the period		-	-	-	798,482	798,482
Balances, August 31, 2015		20,874,979	43,469,036	13,772,905	(49,131,870)	8,110,071
Balances, November 30, 2015		20,773,979	43,258,724	13,772,905	(48,993,720)	8,037,909
Common shares returned to treasury	10	(252,000)	(524,765)	-	474,852	(49,913)
Stock options exercised	10	1,125,000	296,500	(71,500)	-	225,000
Cash dividend	10	-	-	-	(425,359)	(425,359)
Share-based payments	10	-	-	96,448	-	96,448
Net earnings for the period		-	-	-	5,440,583	5,440,583
Balances, August 31, 2016		**21,646,979**	**$ 43,030,459**	**$ 13,798,853**	**$ (43,503,644)**	**$ 13,324,668**

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

1. CORPORATE INFORMATION

Elysee Development Corp. (formerly Alberta Star 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 financial statements as at August 31, 2016 and for the 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 $5,440,583 for the nine month period ended August 31, 2016 (August 31, 2015 - $798,482) and has working capital of $13,323,821 as at August 31, 2016 (November 30, 2015 - $8,036,480).

2. BASIS OF PREPARATION

The condensed interim financial statements of the Company for the nine month period ended August 31, 2016 were approved and authorized for issue by the Board of Directors on October 3, 2016.

Basis of presentation

The Company's condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 14, and are presented in Canadian dollars except where otherwise indicated.

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, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

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 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 recoverability of the carrying value of exploration and evaluation assets, 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.

Cash and cash equivalents

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

Equipment

Items of equipment are depreciated over their estimated useful lives using the declining balance method at the following annual rates with half the rate applied in the year of acquisition:

Computer equipment	30%
Furniture and fixtures	20%

Comparative figures

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

4. CASH AND CASH EQUIVALENTS

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

	August 31, 2016	November 30, 2015
Denominated in Canadian dollars	**$ 2,201,365**	$ 3,148,584
Denominated in U.S. dollars	**209,745**	958,260
Total cash and cash equivalents	**$ 2,411,110**	$ 4,106,844

At August 31, 2016 and November 30, 2015, all the Company's cash and cash equivalents were classified as cash.

5. RECEIVABLES

The Company's primary receivables arise from Goods and Services Tax ("GST") receivable due from the government taxation authorities and interest receivable. These are as follows:

	August 31, 2016	November 30, 2015
GST receivable	**$ 1,927**	$ 4,785
Other receivables	**-**	794
Interest receivable	**10,387**	22,889
Total trade and other receivables	**$ 12,314**	$ 28,468

6. PREPAID EXPENSES

The Company's prepaid expenses are as follows:

	August 31, 2016	November 30, 2015
Insurance	**$ 7,817**	$ 4,664
Other	**-**	99
Total prepaid expenses	**$ 7,817**	$ 4,763

(Expressed in Canadian dollars)

7. MARKETABLE SECURITIES

The Company's marketable securities are as follows:

	TerraX Minerals Inc. shares	TerraX Minerals Inc. warrants	Other marketable securities	Other warrants	Convertible debentures	Total	Total gain (loss)
COST							
November 30, 2014	$ 585,00 0	$ -	$ 1,599,317	$ -	$ 199,953	$ 2,384,270	
Additions	-	-	1,692,674	-	585,703	2,278,377	
Proceeds on sale	-	-	(2,704,865)	-	(34,500)	(2,739,365)	
Realized gain	-	-	1,285,746	-	3,960	1,289,706	
November 30, 2015	585,000	-	1,872,872	-	755,116	3,212,988	
Additions	29,910	-	6,435,534	-	1,451,040	7,916,484	
Proceeds on sale	(181,170)	-	(5,358,052)	-	(1,117,361)	(6,656,583)	
Realized gain (loss)	68,517	-	1,801,900	-	117,612	1,988,029	
August 31, 2016	**$ 502,257**	**$ -**	**$ 4,752,254**	**$ -**	**$ 1,206,407**	**$ 6,460,918**	**$ 1,988,029**
FAIR VALUE							
November 30, 2014	$ 351,00 0	$ 34,379	$ 1,959,000	$ 990,752	$ 192,655	$ 3,527,786	
Additions	-	-	1,692,674	-	585,703	2,278,377	
Cost of disposals	-	-	(1,419,119)	-	(30,540)	(1,449,659)	
Unrealized gain (loss)	26,000	6,682	(280,710)	(207,017)	19,133	(435,912)	
November 30, 2015	377,000	41,061	1,951,845	783,735	766,951	3,920,592	
Additions	29,910	-	6,435,534	-	1,451,040	7,916,484	
Cost of disposals	(112,653)	-	(3,537,497)	-	(993,472)	(4,643,622)	
Unrealized gain (loss)	571,993	117,182	2,044,150	868,796	97,005	3,699,126	
August 31, 2016	**$ 866,250**	**$ 158,243**	**$ 6,894,032**	**$ 1,652,531**	**$ 1,321,524**	**$ 10,892,580**	**$3,699,126**
Total gain for the period ended August 31, 2016							**$ 5,687,155**

Valuation of common shares held as part of marketable securities has been determined in whole by reference to the bid price of the shares on the TSX, TSX Venture Exchange and OTCQB (the "Exchanges") 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.

The Company's significant marketable securities are as follows:

On June 14, 2016, the Company subscribed for 1,200,000 shares of Rye Patch Gold Corp. in a private placement at $0.22 per share for $264,000.

On May 11, 2016, the Company subscribed for 232,500 units of Alexco Resource Corp. ("Alexco") in a private placement at $1.20 per unit for $279,000. Each unit consists of one common share and one-half warrant, with each warrant entitling the holder to purchase one additional common share of Alexco for two years from closing at $1.75 per share.

On May 25, 2016, the Company subscribed for 1,300,000 units of IBC Advanced Alloys Corp. ("IBC") in a private placement at $0.375 per unit for $437,500. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one additional common share of IBC for five years from closing at $0.50 per share.

On June 2, 2016, the Company subscribed for 770,000 units of Focus Ventures Ltd. ("Focus") in a private placement at $0.065 per unit for $50,050. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one additional common share of Focus for one year from closing at $0.075 per share.

On April 6, 2016, the Company subscribed for 2,000,000 units of Focus in a private placement at $0.065 per unit for $130,000. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one additional common share of Focus for one year from closing at $0.065 per share.

On October 26, 2015, the Company subscribed for 6,000,000 units of a private placement at $0.125 per unit of Focus for gross proceeds of $750,000. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one additional common share of Focus for five years from closing at $0.15 per share in the first, second and third years, and at $0.20 per share in the fourth and fifth years.

On October 24, 2014, the Company entered into an agreement with NioCorp Developments Ltd. ("NioCorp"), pursuant to which the Company could have earned up to a 60% interest in NioCorp's wholly-owned Archie Lake project in Saskatchewan and subscribed for 2,800,000 special warrants of NioCorp (the "Special Warrants") at $0.55 per Special Warrant for gross proceeds of $1,540,000. Each Special Warrant was exchanged on January19, 2015 for no additional consideration into one unit of NioCorp ("Unit"). Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.65 per common share exercisable until November 10, 2016.

On February 24, 2014, the Company entered into an agreement with TerraX Minerals Inc. ("TerraX"), a company with a director and officer in common, pursuant to which the Company could have earned up to a 60% interest in TerraX's wholly-owned Central Canada gold project in Ontario and subscribed for 1,300,000 units of TerraX (the "Units") at $0.45 per Unit for gross proceeds of $585,000. Each Unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.57 per common share exercisable until February 28, 2016. On December 8, 2015, these warrants were extended until February 28, 2017.

(Expressed in Canadian dollars)

8. EQUIPMENT

The Company's equipment as at August 31, 2016 is as follows:

	Cost	**Accumulated depreciation**	**Net book value**
Computer equipment	$ 5,300	$ 5,164	$ 136
Furniture and fixtures	6,855	6,144	711
Total	**$ 12,155**	**$ 11,308**	**$ 847**

The changes in the Company's equipment for the periods ended August 31, 2016 and November 30, 2015 are as follows:

	Computer equipment	Furniture and fixtures	Total
COST			
Balance, as at November 30, 2015	$ 5,300	$ 10,282	$ 15,582
Dispositions (Note 16)	-	(3,427)	(3,427)
As at August 31, 2016	**$ 5,300**	**$ 6,855**	**$ 12,155**

	Computer equipment	Furniture and fixtures	Total
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
Balance, as at November 30, 2014	$ 5,049	$21,825	$ 26,874
Depreciation	75	416	491
Dispositions (Note 16)	-	(13,212)	(13,212)
As at November 30, 2015	5,124	9,029	14,153
Depreciation	40	125	165
Dispositions (Note 16)	-	(3,010)	(3,010)
As at August 31, 2016	**$ 5,164**	**$ 6,144**	**$ 11,308**
NET BOOK VALUES			
At November 30, 2015	176	1,253	1,429
At August 31, 2016	**$ 136**	**$ 711**	**$ 847**

(Expressed in Canadian dollars)

9. TRADE AND OTHER PAYABLES

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

	August 31, 2016	November 30, 2015
Trade payables	**$ -**	$ 6,929
Accrued liabilities	**-**	17,258
Total trade and other payables	**$ -**	$ 24,187

10. 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 August 31, 2016, the Company had 21,646,979 common shares outstanding (November 30, 2015 - 20,773,979) and no preferred shares outstanding (November 30, 2015 - Nil).

Pursuant to the Company's change of business to an investment issuer on December 31, 2015, certain directors and officers shares are subject to the following resale restrictions:

	Date	Shares
	December 31, 2016	1,050,500
	June 30, 2017	1,050,500
Total		2,101,000

Share issuances and repurchases

During the period ended August 31, 2016 the Company issued 1,125,000 shares at $0.20 pursuant to the exercise of options for proceeds of $225,000. During the year ended November 30, 2015, the Company did not issue any common shares.

In addition, 252,000 (August 31, 2015– 569,000) shares were repurchased at a total cost of $49,913 (August 31, 2015 - $112,763) and were returned to capital pursuant to the Normal Course Issuer Bid.

Normal Course Issuer Bid

On May 6, 2016, 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 1,063,500 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, 2016 and will terminate on May 8, 2017, 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 period ended August 31, 2016, the Company purchased 252,000 shares (August 31, 2015 – 569,000) at a total cost of $49,913 (August 31, 2015 - $112,763). The difference between the share repurchase price and the original share issuance of $474,852 (August 31, 2015 - $1,072,066) has been included in equity.

(Expressed in Canadian dollars)

Cash dividend

On March 24, 2016, the Company declared an annual dividend of two cents ($0.02) per common share for the fiscal year ended November 30, 2015. The dividend was paid in cash on April 27, 2016 to shareholders of record on April 20, 2016. This was an eligible dividend for Canadian income tax purposes.

Share purchase warrants

There were no share purchase warrants outstanding for the period ended August 31, 2016 and the year ended November 30, 2015.

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 in the Company's stock option plan for the period ended August 31, 2016 and year ended November 30, 2015:

	August 31, 2016		November 30, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,750,000	$ 0.20	2,000,000	$ 0.20
Granted	600,000	0.20	-	-
Granted	500,000	0.30	-	-
Exercised	(1,125,000)	0.20	-	-
Expired/cancelled	(300,000)	0.20	(250,000)	0.19
Outstanding, end of period	**1,425,000***	**$ 0.24**	**1,750,000***	**$ 0.20**

* Pursuant to the Company's change of business to an investment issuer on December 31, 2015, certain directors and officers options are subject to the following resale restrictions:

	Date	Options	Exercise price
	December 31, 2016	200,000	$0.20
	June 30, 2017	200,000	$0.20
Total		400,000	

(Expressed in Canadian dollars)

On August 3, 2016, the Company granted 500,000 options to directors and officers, exercisable at $0.30 per share until August 3, 2019. The weighted average fair value of the options granted and vested during the period ended August 31, 2016 was estimated at $0.126 per option at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

On January 29, 2016, the Company granted 600,000 options to directors and officers, exercisable at $0.20 per share until January 29, 2018. The weighted average fair value of the options granted and vested during the period ended August 31, 2016 was estimated at $0.055 per option at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	Nine months ended August 31, 2016	Year ended November 30, 2015
Risk free interest rate	**0.63%**	-
Expected life	**2.45 years**	-
Expected volatility	**62.46%**	-
Expected dividend per share	**-**	-

The following table summarizes information regarding stock options outstanding and exercisable as at August 31, 2016:

Grant date	**Expiry date**	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Remaining contractual life (years)**
September 30, 2014	September 30, 2016	475,000	475,000	$ 0.20	0.08
January 29, 2016	January 29, 2018	450,000	450,000	$ 0.20	1.42
August 3, 2016	August 3, 2019	500,000	500,000	$ 0.30	2.92
Total options		**1,425,000**	**1,425,000**		

11. SHARE-BASED PAYMENTS

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which $96,448 was recognized in the period ended August 31, 2016 (November 30, 2015 - $Nil) (Note 15):

Grant date	**Fair value**	**Amount vested during the three-month period ended 31 August 2016**	Amount vested during the three-month period ended 31 August 2015	**Amount vested during the nine-month period ended 31 August 2016**	Amount vested during the nine-month period ended 31 August 2015
January 29, 2016	**$33,258**	**-**	-	**$33,258**	-
August 3, 2016	**63,190**	**$63,190**	-	**63,190**	-
Total	**$96,448**	**$63,190**	-	**$96,448**	-

(Expressed in Canadian dollars)

12. EARNINGS PER SHARE

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

	For the three month period ended August 31, 2016	For the three month period ended August 31, 2015	**For the nine month period ended August 31, 2016**	For the nine month period ended August 31, 2015
Net earnings (loss) for the period	**$ 2,263,647**	$ (273,011)	**$ 5,440,583**	$ 798,482
Weighted average number of shares – basic and diluted	**21,434,229**	21,037,718	**21,024,172**	21,254,816
Basic and diluted earnings (loss) per share	**$ 0.106**	$ (0.013)	**$ 0.259**	$ 0.038

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 and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

13. 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 condition 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 period ended August 31, 2016. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS

Categories of financial instruments

	August 31, 2016	November 30, 2015 (Audited)
FINANCIAL ASSETS		
Fair Value through profit or loss, at fair value		
Cash and cash equivalents	**$ 2,411,110**	$ 4,106,844
Marketable securities	**10,892,580**	3,920,592
Loans and receivables, at amortized cost		
Interest and other receivables	**10,387**	23,683
Total financial assets	**$ 13,314,077**	$ 8,051,119
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade and other payables	**$ -**	$ 24,187
Total financial liabilities	**$ -**	$ 24,187

(Expressed in Canadian dollars)

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.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at August 31, 2016, the Company does not have any Level 3 financial instruments.

	Level 1	Level 2	Level 3	Total
As at August 31, 2016				
Cash and cash equivalents	$ 2,411,110	$ -	$ -	$ 2,411,110
Marketable securities	9,081,806	-	-	9,081,806
Warrants	-	1,810,774	-	1,810,774
Total financial assets at fair value	$ 11,492,916	$ 1,810,774	$ -	$ 13,303,690

	Level 1	Level 2	Level 3	Total
As at November 30, 2015 (audited)				
Cash and cash equivalents	$ 4,106,844	$ -	$ -	$ 4,106,844
Marketable securities	3,095,796	-	-	3,095,796
Warrants	-	824,796	-	824,796
Total financial assets at fair value	$ 7,202,640	$ 824,796	$ -	$ 8,027,436

Management of financial risks

The financial risks arising from the Company's operations include credit risk, liquidity risk, interest rate risk, currency risk and commodity price 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 August 31, 2016, receivables were comprised of GST receivable of $1,927 (November 30, 2015 - $4,785), other receivables of $Nil (November 30, 2015 - $794) and interest receivable of $10,387 (November 30, 2015 - $22,889). 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 $2,411,110 to settle current liabilities of $Nil, 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 $6,150 for the nine month period ended August 31, 2016.

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 financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS

Key management personnel and director compensation

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

Nine month period ended August 31	**For the three month period ended August 31, 2016**	For the three month period ended August 31, 2015	**For the nine month period ended August 31, 2016**	For the nine month period ended August 31, 2015
Short-term benefits	**$ 52,500**	$ 46,500	**$ 155,000**	$ 139,500
Share-based payments (Note 11)	**63,190**	-	**96,448**	-
Total key management personnel and director compensation	**$ 115,690**	$ 46,500	**$ 251,448**	$ 139,500

16. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine month period ended August 31, 2016, the amount credited to deficit on the repurchase of the Company shares was $474,852 (August 31, 2015 - $1,072,066) (Note 10).

During the period ended August 31, 2016, the Company disposed of equipment for proceeds of $975 (November 30, 2015 - $3,087) resulting in a gain of $557 (November 30, 2015 – $875) (Note 8).

Cash payments for interest and taxes

The Company made cash payments for interest of $Nil (August 31, 2015 - $Nil) and income taxes of $Nil (August 31, 2015 - $Nil) during the nine month period ended August 31, 2016.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to August 31, 2016:

Subsequent to the period ended August 31, 2016, 475,000 options at $0.20 were exercised for proceeds of $95,000.

On September 1, 2016, the Company subscribed for 1,110,000 units of Largo Resources Ltd. ("Largo") in a private placement at $0.45 per unit for $499,500. Each unit consists of one common share and one-half warrant, with each warrant entitling the holder to purchase one additional common share of Largo for three years from closing at $0.65 per share.