

# ELYSEE

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## DEVELOPMENT CORP.

**Management's Discussion and Analysis  
For the Six-month Period Ended June 30, 2023**

Contact Information

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## **ELYSEE DEVELOPMENT CORP.**

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

#### **For the Six-month period Ended June 30, 2023**

*This management's discussion and analysis ("MD&A") of Elysee Development Corp. ("Elysee" or "the Company"), dated August 7, 2023 should be read in conjunction with the accompanying condensed consolidated interim financial statements and notes for the six-month period ended June 30, 2023. 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.sedar.com](http://www.sedar.com).*

#### **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 2023; 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 2023. 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 (“COB”) 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 March 31, 2023, the Company announced the retirement of Stuart Rogers as President and Director of the Company and the appointment of Thibaut Lepouttre as a Director. Guido Cloetens, the current Chairman of the Company, became President and CEO with current Director, Martin Burian serving as Chairman of the Board.

Mr. Thibaut Lepouttre has been involved in researching and analyzing mining companies since 2008 when he founded Caesars Report, the first English language website in Continental Europe focused on mining.

On June 30, 2023 the Company had assets of \$14,711,545 and shareholder's equity was \$14,709,251.

During the six-month period ended June 30, 2023 the Company invested approximately \$1.9 million in publicly listed companies in the U.S. and Canada.

During the six-month period ended June 30, 2023 the Company had a net and comprehensive loss of \$502,222 as compared to a net and comprehensive loss of \$2,695,944 during the six-month period ended June 30, 2022 due to a \$223,818 investment loss derived from its portfolio versus a loss on investments of \$2,371,988 during the six-month period ended June 30, 2022.

The investment loss during the six-month period ended June 30, 2023 was primarily derived from an unrealized loss on marketable securities of \$558,536 as compared to an unrealized loss during the same period in 2022 of \$3,292,730. The unrealized loss on marketable securities in 2023 was partially offset by interest and dividend income of \$370,852. During the six-month period ended June 30, 2022 the unrealized loss on marketable securities was offset by a realized gain on the sale of marketable securities of \$753,342 and interest and dividend income of \$180,927.

The value of the warrants in the Company's portfolio increased to \$232,519 as at June 30, 2023 from \$186,468 as at December 31, 2022. The fair market value is determined based on the Black-Scholes Pricing Model. The intrinsic value of the Company's investment warrants was \$24,500 on June 30, 2023 (\$21,500 on December 31, 2022). The intrinsic value is equal to the difference between the market value of the underlying share less the exercise price of the warrant.

The net asset value of the Company was \$0.51 per share on June 30, 2023. The NAV is based on the fair market value for the investment warrants as compared to \$0.50 per share using the intrinsic value for the investment warrants.

On March 14, 2023, the Company declared a dividend of \$0.01 per common share based on the 2022 financial results. This dividend was paid on April 11, 2023 to shareholders of record on June 30, 2023 and was an eligible dividend for Canadian income tax purposes.

At December 31, 2022, the Company had unused tax losses and tax pools of approximately \$6,920,000 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, 2022 on the Company's web site and available at [www.sedar.com](http://www.sedar.com).

On May 3, 2023, 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 1,422,530 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 will commence on May 11, 2023 and will terminate on May 10, 2024, 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 132,000 of its common shares at a total cost of \$58,745 pursuant to the normal course issuer bid from January 1, 2023 to June 30, 2023.

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.

## **OUTLOOK**

At June 30, 2023 the Company’s statement of financial position includes working capital of \$10,399,870 inclusive of \$578,957 of cash and cash equivalents, a \$100,000 loan receivable from a private company, a special dividend receivable of \$275,500 (which was received in July 2023) and \$8,818,980 in marketable securities. The Company has no debt.

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, 2023**

The Company's net and comprehensive loss for the six-month period ended June 30, 2023 was \$502,222 (\$0.02 basic loss per share) compared to a net and comprehensive loss of \$2,695,944 (\$0.09 basic loss per share) for the six-month period ended June 30, 2022.

The significant changes in the 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 \$22,341 for the six-month period ended June 30, 2023 compared to a realized gain of \$753,342 in the prior year. Transactions costs of \$11,205 were recognized for the six-month period ended June 30, 2023 compared to \$15,120 in the prior year.

There was an unrealized loss on marketable securities of \$558,536 for the six-month period ended June 30, 2023 compared to an unrealized loss of \$3,292,730 in the prior year.

There was an increase of \$189,925 of interest and dividend income to \$370,852 for the six-month period ended June 30, 2023 from \$180,927 during the prior year primarily due to a special dividend receivable from Spartan Delta Corp. of \$195,170. The Spartan Delta special dividend was comprised of a return of capital of \$90,480 and dividend of \$195,170 offset by \$10,150 for the value for the spin-out company of Logan Energy Corp.

Consulting fees increased \$6,300 to \$25,200 for the six-month period ended June 30, 2023 as compared to \$18,900 during the prior year.

Management fees decreased \$14,500 to \$74,600 for the six-month period ended June 30, 2023 as compared to \$89,100 during the prior year due to the retirement of an Officer.

There was a share-based payment expense of \$65,443, a non-cash item, on stock options granted in the current and prior year but vested during the six-month period ended June 30, 2023 as compared to \$110,169 during the same period a year prior.

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

## **RESULTS OF OPERATIONS – THREE-MONTH PERIOD ENDED JUNE 30, 2023**

The Company's net and comprehensive loss for the three-month period ended June 30, 2023 was \$1,076,898 (\$0.04 basic loss per share) compared to a net and comprehensive loss of \$3,424,423 (\$0.12 basic loss per share) for the three-month period ended June 30, 2022.

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

There was a realized gain on the sale of marketable securities of \$89,118 for the three-month period ended June 30, 2023 compared to a realized gain of \$234,035 in the prior year. Transactions costs of \$3,897 were recognized for the three-month period ended June 30, 2023 compared to \$4,432 in the prior year.

There was an unrealized loss on marketable securities of \$1,295,213 for the three-month period ended June 30, 2023 compared to an unrealized loss of \$3,527,374 in the prior year.

There was an increase of \$189,035 of interest and dividend income to \$274,418 for the three-month period ended June 30, 2023 from \$85,383 during the prior year primarily due to a dividend receivable from Spartan Delta Corp.

Management fees decreased \$11,100 to \$31,500 for the three-month period ended June 30, 2023 as compared to \$42,600 during the prior year due to the retirement of an Officer.

There was a share-based payment expense of \$40,960, a non-cash item, on stock options granted in the current and prior year but vested during the three-month period ended June 30, 2023 as compared to \$110,169 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 in the prior year.

Noteworthy transactions during the quarter were:

- a special dividend allocated between return of capital and ordinary dividend of \$9.50 for 29,000 shares totaling \$275,500 from Spartan Delta Corp. The cash payment was received on July 7, 2023. In addition, Spartan Delta Corp distributed 1 share + 1 warrant of Logan Energy Corp for each share of Spartan Delta. Subsequent to the end of the period Elysee exercised the warrants and sold all of the shares of Logan realizing a capital gain.

- the Company acquired shares and warrants of Oroco Resource Corp. by participating in a private placement of 80,000 units at \$0.75 for \$60,000, and

- Copper Mountain Mining Corp, one of our core holdings, was acquired by Hudbay Minerals Inc. at a premium. Since the closing of the acquisition, shares of the combined entity performed well.

## 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, 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)
June 30, 2022 (Q2, 2022)	\$(3,424,423)	\$(0.12)
March 31, 2022 (Q1, 2022)	\$728,479	\$0.03
December 31, 2021 (Q4, 2021)	\$48,782	\$0.00
September 30, 2021 (Q3, 2021)	\$(2,113,923)	\$(0.08)

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 \$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.

The Company's net and comprehensive loss was \$3,424,423 for the three-month period ended June 30, 2022 (Q2, 2022) and was mainly the result of a \$3,527,374 unrealized loss on marketable securities, \$4,432 in transaction costs and \$215,618 in general and administrative expenses offset by a \$234,035 realized gain on marketable securities, a \$3,583 unrealized foreign exchange gain and \$85,383 of interest income.

The Company's net and comprehensive earnings were \$728,479 for the three-month period ended March 31, 2022 (Q1, 2022) and was mainly the result of a \$519,307 realized gain on marketable securities, a \$234,644 unrealized gain on marketable securities and \$95,544 of interest income, offset by \$10,688 in transaction costs, a \$1,989 unrealized foreign exchange loss and \$108,339 in general and administrative expenses.

The Company's net and comprehensive earnings were \$48,782 for the three-month period ended December 31, 2021 (Q4, 2021) and was mainly the result of a \$412,269 realized gain on marketable securities and \$66,614 of interest income, offset by \$5,717 in transaction costs, a \$186,230 unrealized loss on marketable securities, a \$9,930 unrealized foreign exchange loss and \$228,224 in general and administrative expenses.

The Company's net and comprehensive loss was \$2,113,923 for the three-month period ended September 30, 2021 (Q3, 2021) and was mainly the result of a \$2,405,228 unrealized loss on marketable securities, \$10,063 in transaction costs and \$91,200 in general and administrative expenses offset by a \$292,287 realized gain on marketable securities, \$82,370 of interest income and a \$17,911 unrealized foreign exchange gain.

## 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, 2023, the Company had working capital of \$10,399,870 mainly comprised of cash and cash equivalents of \$578,957, loan receivable of \$100,000 from a private company, a special dividend receivable of \$275,500 and marketable securities of \$8,818,980. This compares to working capital of \$11,627,948 at December 31, 2022, which included cash and cash equivalents of \$789,767, loan receivable of \$100,000 from a private company and marketable securities of \$10,245,934.

The decrease in cash and cash equivalents of \$210,810 during the six-month period ended June 30, 2023 was mainly due to the dividend paid of \$284,506.

Total assets as at June 30, 2023 decreased to \$14,711,545 from \$15,537,085 as at December 31, 2022.

As at the date of this MD&A, the Company has approximately \$600,000 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:

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
Management fees	\$73,500	\$87,000
Accounting fees	33,825	32,000
Director fees	7,725	6,000
	\$ 115,050	\$ 125,000

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 \$22,848 was attributed to the six-month period ended June 30, 2023.

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 six-month period ended June 30, 2023.

During the six-month period ended June 30, 2023, the Company paid \$15,000 (six-month period ended June 30, 2022 - \$15,000) for office rent to a company controlled by the Chief Executive Officer.

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

	As at	
	June 30, 2023	December 31, 2022
Management and directors	\$ -	\$ 75,000

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, 2023 and December 31, 2022.

### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

	June 30, 2023	December 31, 2022
<b>FINANCIAL ASSETS</b>		
<b>Fair value through profit or loss</b>		
Cash and cash equivalents	\$ 578,957	\$ 789,767
Marketable securities	8,818,980	10,245,734
Other investments	4,876,685	4,335,637
<b>Amortized cost</b>		
Interest receivable	52,483	62,385
Dividend receivable	275,500	-
Loan receivable	100,000	100,000
<b>Total financial assets</b>	<b>\$ 14,702,605</b>	<b>\$ 15,533,523</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Amortized cost</b>		
Trade and other payables	\$ 2,294	\$ 65,804
Due to related parties	-	75,000
<b>Total financial liabilities</b>	<b>\$ 2,294</b>	<b>\$ 140,804</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 \$232,519 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, 2023</b>				
Cash and cash equivalents	\$578,957	\$ -	\$ -	\$ 578,957
Marketable securities - shares	7,792,970	-	-	7,792,970
Marketable securities - convertible debt	793,491	-	-	793,491
Marketable securities - warrants	-	232,519	-	232,519
Other investments - equity	-	-	3,450,319	3,450,319
Other investments - convertible debt	-	-	1,426,366	1,426,366
<b>Total financial assets at fair value</b>	<b>\$ 9,165,418</b>	<b>\$ 232,519</b>	<b>\$4,876,685</b>	<b>\$ 14,274,622</b>

	Level 1	Level 2	Level 3	Total
<b>As at December 31, 2022</b>				
Cash and cash equivalents	\$789,767	\$ -	\$ -	\$ 789,767
Marketable securities - shares	8,424,686	-	-	8,424,686
Marketable securities - convertible debt	1,634,580	-	-	1,634,580
Marketable securities - warrants	-	186,468	-	186,468
Other investments - equity	-	-	3,450,319	3,450,319
Other investments - convertible debt	-	-	885,318	885,318
<b>Total financial assets at fair value</b>	<b>\$ 10,849,033</b>	<b>\$ 186,468</b>	<b>\$4,335,637</b>	<b>\$ 15,371,138</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, 2023, there is interest receivable of \$52,483 (December 31, 2022 - \$62,385). 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 \$578,957 (December 31, 2022 - \$789,767) to settle current liabilities of \$2,294 (December 31, 2021 - \$140,804), 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.

## OUTSTANDING SHARE DATA

The Company is authorized to issue unlimited common shares without par value. As at August 7, 2023, there were 28,665,113 outstanding common shares.

The following table summarizes information regarding stock options outstanding and exercisable as at August 7, 2023:

<b>Grant date</b>	<b>Expiry date</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</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	150,000	\$ 0.50
<b>Total options</b>		<b>1,850,000</b>	<b>1,700,000</b>	

There were no warrants outstanding as at June 30, 2023 or August 7, 2023.