



**Interim Management's Discussion  
And analysis**

**For the first quarter  
Ended on September 30, 2011**

## **ABCOURT MINES INC.**

### **ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER ENDED ON SEPTEMBER 30, 2011**

This management's discussion and analysis provides an analysis of our exploration results and our financial situation which will enable the reader to evaluate important variations in exploration results and in our financial situation for the period ended September 30, 2011, in comparison with the first quarter of the previous year. This report supplements our audited financial statements and should be read in conjunction with our financial statements and the accompanying notes dated June 30, 2011. Our financial statements are prepared in accordance with the applicable International Accounting Standards (IFRS). In the same way, the 2010 financial statements were re-done according to IFRS. All monetary values included in this report are in Canadian dollars, unless it is indicated otherwise. Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our exploration results and our financial situation.

You are invited to consult the SEDAR web site at [www.sedar.com](http://www.sedar.com), where all the documents filed according to the applicable Canadian security Laws may be found and the Abcourt web site at [www.abcourt.com](http://www.abcourt.com), where you will find more information.

Our mining activities consist in various exploration work and studies to place our mining properties into production.

#### **STATEMENT OF COMPREHENSIVE INCOME**

##### **Interest Revenue**

Our revenue consists essentially in interest received on deposit certificates. The amount received in the first quarter ended on September 30, 2011, was \$26,938. This amount was considerably larger than in the previous year (\$833).

##### **Administrative Expenses**

In the first quarter, administrative expenses totalled \$83,535. They were considerably lower than in the previous year (\$190,576). The difference is found in no stock-based remuneration (-\$63,300) and lower restoration expenses (-\$38,119) in 2011.

##### **Loss before Deferred Income and Mining Taxes**

The loss before deferred income and mining taxes was considerably smaller than in 2010, as the revenues were higher (+\$26,105) and the expenses were much lower (\$107,041).

##### **Net Loss and Comprehensive Loss**

Following the accounting of deferred income and mining taxes, for an amount of \$71,474 in 2010, the net loss was \$118,269. This year, with the explanations given above, the net loss was only \$50,870. .

## **CASH FLOWS**

### **Operating Activities**

During the first quarter ended on September 30, 2011, operating activities, before the variations in the items not involving cash generated a negative cash flow of \$46,555 whereas in the previous year \$126,443 was used. In 2010 and 2011, there were no sales. The non-cash items of the working capital generated \$252,230 in 2011, but only \$61,145 in 2010.

### **Financing Activities**

During the 1<sup>st</sup> quarters of 2011 and 2010, there were no financing activities.

### **Investing Activities**

During the 1<sup>st</sup> quarter, investments totalled \$722,260. In 2010, a credit of \$69,575 was received. The main investment in 2011 was the acquisition of deferred evaluation and exploration assets and the acquisition of property, plant and equipment.

### **Cash and Cash Equivalent at the end of the first quarter**

In the first quarter, the available cash decreased by an amount of \$516,585 compared to a gain of \$4,277 in 2010. The available cash, i.e. \$6,751,715, is sufficient to cover our proposed operating activities over the next several months.

## **DEFERRED EVALUATION AND EXPLORATION EXPENDITURES**

Deferred evaluation and exploration expenditures for the first quarter ended on September 30, 2011, totalled \$678,617, compared to \$309,022 in the previous year.

Most of our expenditures this year during the first quarter were for the acquisition of deferred evaluation and exploration assets and consisted in diamond drilling and related expenses and dewatering the Elder mine. In 2010, the expenses were incurred by diamond drilling at Elder and at the Abcourt-Barvue properties.

**Details on the two most important items in deferred evaluation and exploration expenditures for the first quarter ended on September 30, 2011 were:**

- 1- Diamond drilling with related expenses for an amount of \$231,286
- 2- Dewatering the Elder mine for an amount of \$256,603.

## **STATEMENT OF FINANCIAL POSITION**

The assets on September 30, 2011 totalled \$19,232,596 compared to \$19,283,855 on June 30, 2011.

As indicated above, the financial position did not change much.

## **NEW ACCOUNTING POLICIES**

In the non-audited financial statement of September 30, 2011, we adopted the International Accounting Reporting Standards (*IFRS*).

### **ADOPTION OF IFRS AND FUTURE CHANGES IN ACCOUNTING POLICIES**

As a consequence of the adoption of the International Accounting Standards Boards ("IASB") standards and interpretations and the replacement of Canadian Generally Accepted Accounting Principles ("GAAP") by International Financial Reporting Standards ("IFRS") for publicly accountable enterprises, Abcourts Mines Inc.'s unaudited interim condensed financial statements for the period ended September 30, 2011 were prepared in accordance with the applicable international accounting standards.

The 2010 comparative financial information has been prepared in accordance with the IFRS that are anticipated to be applicable at June 30, 2012 and in compliance with IFRS 1 on first-time adoption of IFRS. The impacts of this change in accounting standards are presented in Note 13 of our Financial Statements

The financial statements do not take into account:

- Draft standards that are still at the exposure draft stage with the International Accounting Standards Board (IASB);
- Standards published and approved by the IASB, but with an application date after June 30, 2012.

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Abcourt Mines Inc for accounting periods beginning on or after July 1, 2012 or later periods. The Company has not early adopted these standards. Those which are considered to be relevant to the Company's operations are as follow:

#### **IFRS 9, Financial Instruments**

IFRS 9 is the first phase of the IASB's three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It is applicable to financial assets and requires classification and measurement in either the amortised cost or the fair value category. IFRS 9 is applied prospectively with transitional arrangements depending on the date of application. The Standards is not applicable until annual periods beginning on or after July 1, 2013, but is available for early adoption. The Company has not fully assessed the impact of adopting IFRS 9; however, it anticipates that its impact will be limited.

On May 12, 2011, IASB issued the final standards - Consolidated Financial Statements (IFRS 10), Joint Arrangements (IFRS 11) and Disclosure of Interests in Other Entities (IFRS 12) as well as amendments adopted consequently to IAS 27 newly entitled "Separate Financial Statements" and to IAS 28 newly entitled "Investments in Associates and Joint Ventures", IASB has also issued IFRS 13 "Fair Value Measurement" at the same date. The effective date scheduled by the IASB for these new standards and the amended standards concern reporting periods beginning on July 1, 2013.

## **ADOPTION OF IFRS AND FUTURE CHANGES IN ACCOUNTING POLICIES** (continued)

### **IFRS 13, Fair Value Measurement (cont'd)**

IFRS 13 explains how to determine the fair value when its application is already required or permitted by other standards within IFRSs or US GAAP. It doesn't produce supplementary fair value evaluations. The requirements included in IFRS 13 provide a precise definition of fair value and a single source of fair value measurement and disclosures requirements for use across IFRSs. The Company has not completed its evaluation of the impact of the adoption of IFRS 13 but expects that this impact will be limited.

## **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These unaudited financial statements of Abcourt Mines inc. were prepared by management in accordance with IFRS, as issued by the IASB. As these financial statements represent Abcourt Mines Inc.'s initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of IFRS.

These unaudited financial statements have been prepared in accordance with the accounting policies that Abcourt Mines Inc. expects to adopt in its annual financial statements for the year ended June 30, 2012. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that Abcourt Mines Inc. expects to be applicable at that time.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in the preparation of an opening IFRS statement of financial position as at July 1, 2010, as required by IFRS 1.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these condensed financial statements will be finalized only when the first annual IFRS financial statements will be prepared for the year ending June 30, 2012.

Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP".

### **Basis of measurement**

The financial statements have been prepared on the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value in accordance with IFRS.

### **Functional and Presentation Currency**

The financial statements are presented in Canadian dollars, which is the functional and presentation currency.

### **Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Transaction date accounting is used.

**Held for trading**

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in earnings. Cash, term deposit reserved for exploration and term deposit are classified as held for trading assets.

**Deferred Income and mining taxes**

The Company is entitled to a mining rights credit for mining exploration expenses in Quebec. Furthermore, the Company is entitled to a refundable tax credit relating to resources for mining exploration companies on eligible expenses incurred in Quebec. These tax credits are recorded, provided that the Company is reasonably certain that these credits will be received.

**Loans and receivables**

Loans and receivables are accounted for at amortized cost using the effective interest method. Interest receivable, taxes receivable and other receivables are classified as loans and receivables.

**Other liabilities**

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments. Payable accruals and provisions are classified as other liabilities.

**Property, plant and Equipment**

Property, plant and Equipment are accounted for at cost. The mill, the water treatment plant and tailings pond are not amortized because they have not been utilized yet. Amortization of other Property, plant and Equipment is based on their useful life using the declining balance method at the following rates :

	Rate
Vehicle :	30%
Furniture :	20%
Buildings :	5%

**Exploration and Evaluation Expenditures**

Expenditures incurred before the entity has obtained the legal rights to explore a specific area are expensed.

Expenditures related to the development of mineral resources are not recognised as exploration and evaluation assets. Expenditures related to the development are accounted as an asset only when the technical feasibility and commercial viability of a specific area are demonstrable and when recognition criteria of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets are satisfied.

All costs associated with property acquisition and exploration activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to acquisition and exploration activities that can be associated with finding specific mineral resources, and do not include costs related to production (lifting costs), and administrative expenses and other general indirect costs. Exploration and evaluation expenditures are capitalised when the following criteria are satisfied:

- Are held for use in the production of mineral resources,
- Properties have been acquired and expenses have been incurred with the intention of being used on a continuing basis; and
- Are not intended for sale in the ordinary course of business.

Costs related to the acquisition of mining properties and to exploration and evaluation expenditures are capitalized by property until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are reclassified as mining assets under development. Exploration and evaluation assets are assessed for impairment before reclassification, and any impairment loss recognised

The Company reconsider periodically facts and circumstances in IFRS 6 that require testing exploration and evaluation assets for impairment. When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the asset is test for impairment. The recoverable amount is the higher of fair value less costs to sell and value in use of the asset (present value of the future cash flows expected). When the recoverable amount of an exploration and evaluation asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss.

The recoverable amount of exploration and evaluation assets depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The carrying amount of exploration and evaluation assets do not necessarily represents present-time or future values.

### **Impairment of Long-lived Assets**

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is the higher of its fair value less costs to sell and its value in use (present value of the future cash flows expected). An impairment loss is recognized when their carrying value exceeds the recoverable amount. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its recoverable amount.

### **Revenue Recognition**

Investment transactions are accounted for on the transaction date and resulting revenues are recognized using the accrual basis. Interest income is accrued based on the number of days the investment is held during the year.

### **Flow-through Shares**

IFRS do not specifically address the accounting for flow-through shares or the related tax consequences arising from such transactions. The Company has adopted the view expressed by the

Mining Industry Task Force on IFRS created by the Canadian Institute of Chartered Accountants (CICA) and the Prospectors and Developers Association of Canada (PDAC).

The Company consider that the issue of flow-through shares is in substance an issue of ordinary shares; and the sale of tax deductions. The sale of tax deductions is measured using the relative fair value method. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position. When eligible expenditures are incurred (as long as there is the intention to renounce), the sale of tax deductions is recognized in the income statement as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. The renouncement of expenditures related to flow-through shares may lead to the recognition of previously unrecognized deferred tax assets.

### **Equity**

Capital Stock represents the amount received on the issu of shares, less issuance costs. Contributed surplus includes charges related to stock-based compensation until the exercise of options issued as remuneration. Deficit includes all current and prior period losses. Gains and losses on certain financial instruments are included in reserves for available-for-sale financial assets.

### **Fair Value of the Warrants**

Proceeds from placements are allocated between shares and warrants issued using the relative fair value method. The Company uses the Black-Scholes pricing model to determine the fair value of warrants issued.

### **Share issuances Expenses**

Share issuance expenses are recorded as an increase of the deficit in the year in which they are incurred.

### **Cash and Cash Equivalents**

The Company's policy is to present cash and highly liquid short-term investments having a term of three months or less from the acquisition date in cash and in cash equivalents.

### **Share-based payment**

The Company recognises the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The Company recognises a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

The Company account for stock-based compensation over the graded period vesting of the right to stock options. For awards that vest by instalments, each instalment is treated as a separate arrangement. The number of equity instruments expected to vest is initially estimated and revised afterward, if necessary.

### **Deferred Income and Mining Taxes**

The company uses the assets and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are



measured on the basis of tax rates have been enacted or substantively enacted by the end of the reporting period and which, expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or loss in the year that includes the enactment date. The Company establishes a valuation allowance against deferred income tax assets if, based on available information, it is probable that some or all of the deferred tax assets will not be realized.

### **NSR Royalties**

The NSR royalties are generally not be accounted for when acquiring the mining property since they are deemed to be a contingent liability. Royalties are only accounted for when probable and can be measured with sufficient reliability.

## **Significant Accounting Judgements, Estimates and Assumptions**

### Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the degree to which the expenditure can be associated with finding specific mineral resources. The estimation process requires varying degrees of uncertainty and these estimates directly impact the deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

### Impairment of Exploration and Evaluation Assets

Company assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, since the Company does not have sufficient information about its exploration properties to estimate future cash flows, it test its exploration properties for impairment by comparing the fair value to the carrying amount, without first performing a test of recoverability. Techniques to estimate fair value require the use of estimates and assumptions such as forecasted long-term commodity prices and future capital requirements to continue exploration and exploration potential. Fair value is the amount obtainable from the sale of asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Management has assessed its cash generating units as being an individual mine site, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## PRINCIPAL ANNUAL INFORMATIONS (AUDITED)

### Periods ended on June 30

	2011	2010	2009
<b>Statement of comprehensive income</b>			
Interests	38,479	4,464	17,992
Net profit (net loss)	(925,652)	(45,101)	(483,258)
Net profit (net loss) per share diluted	(0.01)	0.00	(0,01)
<b>Statement of financial position (\$)</b>			
Cash and term deposits	7,400,000	(64,421)	350,000
Total assets	19,592,087	9,485,106	7,666,516
Long-term debt	--	--	--
<b>Mining Exploration (\$)</b>			
Exploration and evaluation assets	8,294,432	5,210,112	3,918,642

### QUARTERLY INFORMATION (non-audited)

	2011 Sept.	2010 Sept.	2011 June	2010 June	2010 March	2009 March	2010 Dec.	2009 Dec.
<b>Statement of comprehensive income (\$)</b>								
Interests	26,938	833	25,567	590	10,960	613	1,219	1,434
Net profit (net loss)	(50,870)	(189,671)	(19,349)	284,802	200,820	(5,874)	(148,767)	(137,506)
Net profit (net loss) per share diluted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Statement of financial position (\$)</b>								
Cash and term deposit	6,751,715	650,000	7,400,000	1,050,000	2,672,962	1,665,377	2,264,768	2,146,605
Total assets	19,475,596	9,423,279	19,592,087	9,485,106	14,029,591	9,633,486	13,560,719	9,560,760
Long-term debt.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Mining Exploration (\$)</b>								
Exploration and evaluation expenditures net of mining duties and tax credits	678,617	305,226	890,737	407,862	989,451	377,707	933,871	238,175

## CONTRACTUAL OBLIGATIONS

### Long-term Debt

The Company has no long-term debt.

### Royalties

<u>Property</u>	<u>Royalty</u>	<u>Property</u>	<u>Royalty</u>
Elder	2 to 3% NSR	Tagami	1 to 2% NSR
Barvue	\$0.25 per short ton	Jonpol	2.5% NSR
Vendome	2% NSR on Xstrata claims	Aldermac	\$2.00/t for 1.5 M t
Abcourt	0	Aldermac West	2% NSR

## **Environment**

So far, the Company has spent \$524,353 on the restoration of a former settling basin at Abcourt-Barvue. A small water treatment plant is on the site and a certificate of authorization has been received from “le Ministère du Développement durable, de l’Environnement et des Parcs” for this plant.

## **TRANSACTIONS WITH RELATED PARTIES**

During the quarter, the Company incurred exploration expenses amounting to \$43,000, share issuance expenses of \$1,000, \$25,185 for restoration of a mining site and allocation and rental of vehicles and equipment amounting to \$8,758 with Decochib inc., a company whose president is also president of Abcourt Mines Inc.

During the year, the Company incurred administrative fees amounting to \$2,270.

These transactions are in the normal course of operations and are measured at the transaction value, which is the amount of consideration established and agreed by the related parties.

## **EQUITY AT SEPTEMBER 31, 2011**

Share Class	Par Value	Authorized Number	Number of shares Issued	Amount Received
Class A (not voting)	None	Unlimited	None	0
Class B (voting)	None	Unlimited	148,950,069	\$31,786,689
Preferred	To determine	Unlimited	None	0

## **SHARES ISSUED DURING THE FIRST QUARTER ENDED SEPTEMBER 30, 2011:**

There was no issue of shares during the first quarter.

## **OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES AT SEPT. 30, 2011**

There was no change in Company share purchase options, as shown below:

Share purchase options	Quantity	Weighted average exercise price \$
Outstanding as at June 30, 2011	<u>10,100,000</u>	0.12
Outstanding as at Sept. 30, 2011	<u>10,100,000</u>	0.12
Options exercisable as at September 30, 2011	<u>10,100,000</u>	0.12

The following table summarizes the information relating to share purchase options as at September 30,2011.

**Options**

<b>Number of options outstanding</b>	<b>Exercise price \$</b>	<b>Weighed average remaining contractual life (years)</b>	<b>Number of options exercisable</b>
7,800,000	0.12	4.7	7,800,000
1,250,000	0.10	3.9	1,250,000
350,000	0.10	3.4	350,000
200,000	0.10	2.7	200,000
400,000	0.10	3.2	400,000
<u>100,000</u>	0.16	3.4	<u>100,000</u>
<u>10,100,000</u>			<u>10,100,000</u>

**OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES AS AT SEPT.30, 2011**

<b>Warrants Outstanding on September 30,2011</b>	<b>Price</b>	<b>Expiry Date</b>	
Northern & priv. plac., Dec. 2009	4,313,462	\$0.17	December 2011
Northern & priv. plac. , Dec. 2009	5,084,917	\$0.19	December 2011
Prospectus, Dec. 2010	24,245,787	\$0.175 (1)	December 2012
Private plac., Dec. 2010	3,986,821	\$0.25 (2)	December 2012
Prospectus, April 2011	<u>35,138,888</u>	\$0.23 (3)	April 2013
	<u>72,769,875</u>		

(1) In December 2011, the warrants will be exercisable at \$0.195 per share.

(2) In December 2011, the warrants will be exercisable at \$0.30 per share.

(3) In April 2012, the warrants will be exercisable at \$0.26 per share.

**Options granted to brokers and intermediaries**

Changes in Company's options to brokers and intermediaries were as follows:

	2011		2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
<b>Balance, beginning of year</b>	1,119,833	0.14	212,400	0.44
Granted	4,689,907	0.16	1,062,833	0.13
Expired	(57,000)	0.26	(155,400)	0.50
Exerciced	<u>(714,807)</u>	0.13	<u>-</u>	
<b>Balance, end of year</b>	<u>5,037,933</u>	0.17	<u>1,119,833</u>	0,14
Weighted average fair value of options granted to brokers and intermediaries		0.07		0.08

The following table summarizes the information relating to the brokers and intermediaries options.

<b>Brokers' and Intermediaries' Options Outstanding</b>	<b>Price</b>	<b>Expiry Date</b>
	\$	
348,026	0.13	December 2011
1,749,750	0.135	December 2012
138,888	0.135	December 2012
517, 241	0.145	December 2012
<u>2,284,028</u>	0.18	April 2013
<u>5,037,933</u>		

During the first quarter, there was no option granted to brokers and intermediaries.

**SHARE IN ESCROW OR SUBJECT TO POOLING AS AT SEPTEMBER 30, 2011**

None

## CONTINGENCIES

- a) The Company's operations are governed by governmental laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, in term of level, impact or deadline. During the year, the Company received a notice of violation for its settling bassin and, to correct the problem, it installed a treatment plant required for the treatment of this small effluent. The Company has to report to the environmental authorities the assay results on a monthly basis in order to follow the treatment process. In relation with this notice of violation, the Company has not paid any penalty and if the Company respects its commitment, no amount will have to be paid in the future. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.
- b) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

## **MINING PROPERTIES**

Abcourt Mines Inc. (the “Company”) has two mining projects at an advance stage of development in Abitibi, Quebec, Canada:

- A silver/zinc project with the Abcourt-Barvue and Vendome properties north of Val-d’Or Quebec, Canada.
- A gold project with the Elder and Tagami properties near Rouyn-Noranda, Quebec, Canada.

and two advanced exploration projects, also in Abitibi, Quebec, Canada:

- The Aldermac property located near Rouyn-Noranda, Quebec, Canada with historical resources in copper, zinc, silver and gold.
- The Jonpol property located near Amos, Quebec, Canada with historical resources in copper, zinc, silver and gold.

Here is some information on each property:

### **ABCOURT-BARVUE PROPERTY**

The Abcourt-Barvue property is conveniently located at Barraute, 60 kilometers (35 miles) north the mining community of Val-d’Or, Quebec. It covers 5,865 hectares with 139 claims and two (2) mining concessions held 100% by Abcourt.

In 1950, zinc was discovered on surface on the Barvue claims. The mine was operated from 1952 to 1957 with an open pit by Barvue Mines Limited and from 1985 to 1990 with an underground operation by Abcourt Mines Inc.

Our objective is to place this property into production. From 2002 to 2007, several drilling programs, technical and environmental studies were completed or were done to provide data for a feasibility study and to support our applications for permits. The feasibility study is now completed but various alternatives are considered to improve the profitability of this project. In February 2011, Abcourt purchased the Xstrata Zinc Canada Division interest in fifteen half claims being part of the Vendome property. The purchase of these claims will allow us to add Vendome to the Abcourt-Barvue project.

In May 2006, a revision of the Abcourt-Barvue resources was completed by an independent qualified person, Mr. Jean-Pierre Bérubé, P.Eng., consultant for MRB & Associates of Val-d’Or, Québec, Canada. This revision was made according to NI 43-101 Standards. This report is available on SEDAR.

Genivar, Limited Partnership of Quebec City and Bumigeme of Montréal, completed a feasibility study, which was published in February 2007. With this feasibility study, almost all the resources were converted into proven and probable ore reserves. This report is available on SEDAR.

The mining plan involves the extraction of 85% of the ore from an open pit and the treatment of this ore in a mill built on the mine site with a capacity of 1,800 tonnes per day for a total of 650,000 tonnes per year. We are also evaluating the possibility of increasing the mill capacity to 2,740 tonnes per day, for a total of 1,000,000 tonnes per year.

To reach this objective, it is necessary to upgrade some inferred resources at Abcourt-Barvue and some historical resources at Vendome to indicated ore reserves.

During the first quarter ended on September 30, 2011, we drilled seven holes for a total of 1,602 meters at an average costs of \$103.70 per meter, all included. As of September 30, 2011, with this program, we have drilled 59 holes, for a total of 13,848 meters, for a cost of \$1,198,710 (\$86.56 / meter). Results obtained were excellent (see Press Release on SEDAR and on our Web site). Additional drilling will be done in the next quarter.

The next step will be to prepare a revised 43-101 resource estimate.

On November 15 last, we finalized the acquisition of 80 claims covering an area of 3,360 hectares at the eastern and western limits of the Abcourt-Barvue property. With these claims and the ones that we already own, we have 13.5 km of silver-zinc geological formations, near surface and at depth.

## **THE VENDÔME PROPERTY**

The Vendome property is located 11 kilometres (seven miles) south of the Abcourt-Barvue property. It comprises 59 full claims for a total of 2,546 hectares owned 100% by Abcourt.

In the 1950's, a small ore body was discovered and a three-compartment shaft was sunk to a depth of 160 meters (525 feet). Three levels were established at depths of 76 meters (250 feet), 114 meters (375 feet) and 152 meters (500 feet). A total of 2,134 meters (7,000 feet) of drifts and raises were excavated and 351 holes were drilled underground for a total of 19,595 meters (64,600 feet). At the same time, two deposits, the **Barvallee** and the **Belfort** were found on strike to the west by surface drilling. In addition, some holes drilled in the Magador batholith found some gold values.

In 1987, a surface plant was installed and a short (76 meters) ramp was excavated on the Barvallee part of the property.

In 1998, the Company drilled nine holes for a total of 1,505 meters (4,936 feet) in the Barvallee sector of the zone. Results were very encouraging.

Four holes were drilled in 2011 to confirm historical resources and excellent results were obtained. See our Press Release dated August 9 last. An evaluation of resources according to NI 43-101 is currently being made.

## **THE ELDER-TAGAMI MINE**

The Elder mine is owned 100% by Abcourt. The mine is conveniently located just six miles (ten km) northwest from the mining community of Rouyn-Noranda, Quebec. The property comprises 34 contiguous claims and a mining concession covering an area of 876 hectares. There are several small royalties to pay on different parts of the property.

The surface plant includes an office, a service building, a hoist room and a shaft building. The mine is serviced to a depth of 762 meters (2,500 feet) by two shafts and several drifts on 14



levels. Most of the mining equipment is available and all the facilities are in place. The mine could be re-opened rapidly at a minimal cost.

The ore is found in several quartz veins generally striking N-40°-E on surface but east-west at a depth of 305 meters (1,000 feet) down the mine and dipping on the average at 22° to the south-east, with the exception of the no 4 vein which is striking north-south and dipping 22° to the east.

Between 1984 and 1989, a total of \$23 M was spent on this property by the Aunore Resources Inc – Nova Beaucage Mines Limited joint venture. The surface plant was installed and the necessary equipments were purchased. The mine was dewatered, 4,268 meters (14,000 feet) of old drifts were rehabilitated, the shaft was deepened 15 meters (50 feet), new stations were established on three upper levels, in no 2 shaft, that is the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> levels, an ore pass and a waste pass system with loading pockets was established, 142 surface and 75 underground diamond drill holes were drilled, approximately 2,134 meters (7,000 feet) of new drifts were excavated, ventilation raises were driven and a few stopes were started. Approximately 13,200 m. tonnes of ore with a grade of 0.198 oz/mt of gold were extracted. Following a drop in the price of gold, the mine was closed.

From 1995 to 2011, several surface drilling programs were completed. During the period ending on June 30, 2011, 103 holes, for a total of 15,642 meters, were drilled on the Elder-Tagami property at a cost of \$1,515,000, for an average cost of \$96.86 per meter. In our short form prospectuses of December 2010 and April 2011, we had budgeted \$1.8 M for this drilling.

Results were excellent and several Press Releases were issued during the period. See our Web site: [www.abcourt.com](http://www.abcourt.com). In 2012, diamond drilling will be done underground once the mine is dewatered. During the second half of the June 30, 2011 period, an important amount of work and expenses were needed to inspect, repair and upgrade the surface plant, the hoisting equipment and the shaft before proceeding with the dewatering of the mine. The dewatering started in May and on September 30, it had reached a depth of 243 meters. As of the date of this report, it has reached a depth of 326 meters.

In 2012, the dewatering will continue to the end of March. Subsequently, diamond drilling will be done underground and drifts will be excavated. Currently, we are converting all the data from the English system to metrics and a revision of resources, in accordance with NI 43-101, is being done. At the beginning of 2012, we will do a preliminary economic assessment (PEA) report to determine if additional exploration work is needed to increase resources before considering a start of production. If that is the case, the exploration program recommended by Jean-Pierre Bérubé in his 43-101 report (2009), will be realized. On the other hand, if the PEA study indicates that enough resources and funds are available, a mine development program will be started with the objective of putting the mine in production as soon as possible.

## **THE ALDERMAC PROPERTY**

In January 2007, Abcourt announced that a 4-year option was signed for 100% of the Aldermac property located in Beauchastel township near Rouyn-Noranda, Quebec, Canada. This 303-hectare property is the site of a former mine, serviced by a 495-meter 3-

compartment shaft and nine levels. In the past, it produced two million tons of ore with a grade of 1.78% Cu, 0.2 oz/t Ag, 0.02 oz/t Au and 1.50% ± Zn.

Around the old mine and 300 meters further east, where a new ore body was discovered in 1987, historical resources are as follows:

<u>Description</u>	<u>Short tons</u>	<u>Cu %</u>	<u>Zn %</u>	<u>Ag oz/t</u>
Area around the old mine	620,000	1.60 ±	2.00 ±	0.2
New ore body to the east	<u>1,150,000</u>	<u>1.50</u>	<u>4.13</u>	<u>0.9</u>
<b>Total</b>	1,770,000	1.54	3.38	0.6

The historical resources reported above were prepared before the introduction of National Instrument 43-101 (“43-101”). The historical resources have not been verified and should not be relied upon. This being said, Abcourt believes that these estimates, particularly the ones prepared by Wright Engineers, were estimated by competent persons. This statement is made by Mr. Renaud Hinse, professional engineer, President of Abcourt Mines Inc. Mr. Hinse is a qualified person under 43-101.

A 22-hole drilling program totalling 5,514 meters at a cost of \$601,399 was completed during the 2008 winter. Several excellent values over important widths were cut and reported in Press Releases and previous annual reports. See our Web site: [www.abcourt.com](http://www.abcourt.com).

Having placed a priority on Elder-Tagami and Abcourt-Barvue, there was no exploration work done on this property in 2011 and none is budgeted for 2012.

However, this property is interesting and additional work will be done later.

## THE JONPOL PROPERTY

In March 2007, Abcourt announced the signature of a 7-year option to purchase 100% of the Jonpol property located in Dalquier township near Amos, Quebec, Canada. This 880-hectare property was subject to several exploration programs in the past and three shafts were sunk, the deepest reaching a depth of 152 meters.

This exploration work outlined the following historical resources:

<b>Zone</b>	<b>Date</b>	<b>Author</b>	<b>Short tons</b>	<b>% Cu</b>	<b>% Zn</b>	<b>oz/t Ag</b>
Upper Ag-Zn	1969	Waisberg <sup>(1)</sup>	20,000	--	4.0	8.0
Jay Copper	1969	Waisberg	26,000	3.5	--	1.0
Main West Cu	1974	Kilborn <sup>(2)</sup>	1,946,000	1.04	--	0.02
Lower Ag-Zn-Cu	1983	Getty <sup>(3)</sup>	815,000	1.25	3.21	3.55

<sup>(1)</sup> S. Waisberg, 1969, Conigo Mines Ltd

<sup>(2)</sup> H.B. Hicks, 1974, Kilborn Engineering Ltd, preliminary feasibility study for 1,000 TPD mining and milling plant

<sup>(3)</sup> D. Titro, 1983, Getty Canadian Mines Ltd, work summary

In addition, several significant gold intersections were obtained in the drilling.

This information comes from a report by C.M Cooke, senior project geologist for Aur Resources Inc., dated November 1992.

The historical resources reported above were prepared before the introduction of National Instrument 43-101 (“43-101”). The historical resources have not been verified and should not be relied upon. However Abcourt believes that these estimates, particularly the ones prepared by Kilborn and Getty, were estimated by competent persons. This statement is made by Mr. Renaud Hinse, professional engineer, President of Abcourt Mines Inc. Mr. Hinse is a qualified person under 43-101.

In the Fall of 2007, 22 holes were drilled for a total of 2,630 meters at a cost of \$325,141. Several interesting values in silver, copper and zinc were cut and were reported in Press Releases and in previous annual reports. See our Web site: [www.abcourt.com](http://www.abcourt.com).

Aur Resources Inc. with whom we had negotiated the first agreement was amalgamated with Teck-Cominco Limited. We have re-negotiated this agreement with Teck Cominco Limited and obtained more advantageous conditions with the commitment to spend \$1M before December 31, 2011. As we only have spent about \$750,000 to-date, we asked for an extension which was granted to the end of 2013 but with an increase to \$1.1M for the work commitment.

### **Diamond drilling during the first quarter ended on September 30, 2011**

During the first quarter ended on September 30, 2011, we drilled nine holes. Eight of these holes were drilled on the western extension of a silver zone indicated by previous drilling. These holes only gave low values. The ninth hole was drilled to intersect a rhyolite-tuff contact. It cut a 1-meter mineralized section averaging 267.50 g/t silver and 0.24 % zinc at an approximate depth of 100 meters. This intersection is significant because a large zone of disseminated mineralization with silver, copper and zinc values was intersected in that area by a previous hole.

Additional drilling will be done in 2012.

### **THE VEZZA PROPERTY**

In 2009 and 2010, Abcourt has acquired by staking 85 claims and 19 cells totalling 2,233 hectares in Vezza Township, Quebec. This property covers about 8 km along the Casa Berardi-Douay-Cameron deformation zone where several gold occurrences have been reported in the past. This new property is currently in the exploration stage and is without a known body of commercial ore or economic deposit.

We recently drilled four holes (1,011 meters) on a sediments/volcanics contact, generally carrying some pyrite with gold values. No significant values were intersected. This drilling was done to renew the claims.

## **RISKS AND UNCERTAINTIES**

### **RISK FACTORS**

In the course of its business and affairs, the Company faces the following risks factors:

#### **Fluctuations in the Market Price of gold and other metals**

The profitability of mining operations, and thus the value of the mineral properties of the Company, is directly related to the market price of gold and other metals. The market price of gold and other metals fluctuates and is affected by numerous factors beyond the control of any mining company. If the market price of gold and metals should decline dramatically, the value of the Company's mineral properties could also decrease dramatically and the Company might not be able to recover its investment in those interests or properties. The selection of a property for exploration or development, the determination to construct a mine and place it into production and the dedication of funds necessary to achieve such purposes are decisions that must be made long before first revenues from production are received. Price fluctuations between the time that such decisions are made and the commencement of production can drastically affect the economics of a mine.

#### **Financial Risk**

Additional funds will be required in the future to finance the Company's exploration and development work. The Company may have access to funds through the issuance of additional equity and borrowing. There can be no assurance that such funding will be available to the Company. Furthermore, even if such a financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives, which could adversely affect the Company's business and financial condition.

#### **Exploration and Mining Risks**

Mineral resources exploration and development is highly speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not be able to avoid. While the discovery of a deposit may prove extremely lucrative, most exploration efforts are not successful in that they do not result in the discovery of mineralization of sufficient quantity or quality to be profitably mined. Substantial sums may be required to establish ore reserves, develop metallurgical processes and build mining and processing facilities at a given site. **There is no assurance that ores will be discovered by the Company in quantities sufficient to warrant mining operations. There is also no assurance that the mining properties of the Company will be brought into commercial production.** The economic life of a mineral deposit depends on a number of factors, some of which relate to the particular characteristics of the deposit, particularly its size and grade. Other factors include the proximity of the deposit to infrastructure, the production capacity of mining facilities and processing equipment, market fluctuations, possible claims of native peoples and government regulations, including regulations relating to prices, royalties, allowable production, importation and exportation of minerals, environmental protection and

the protection of agricultural territory. The effect of these factors cannot be accurately predicted and may prevent the Company from providing an adequate return on investment.

### **Regulatory Compliance, Permitting Risks and Environmental Liability**

Exploration, development and mining activities are subject to extensive Canadian federal and provincial laws and regulations governing exploration, development, production, taxes, labour standards, waste disposal, protection and conservation of the environment, reclamation, historic and cultural preservation, mine safety and occupational health, toxic substances as well as other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing a mine and other facilities in compliance with such laws and regulations is significant. The costs and delays associated with compliance with such laws and regulations could become such that the Company cannot proceed with the development or operation of a mine.

Mining in particular (and the ownership or operation of properties upon which historic mining activities have taken place) is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to the Company (or to other companies within the industry) at a reasonable price. To the extent that the Company becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to the Company and could have a material adverse effect on the Company. Laws and regulations intended to ensure the protection of the environment are constantly changing, and are generally becoming more restrictive.

### **Title to Properties**

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests.

### **Industry Conditions**

Mineral resource exploration and development involves a high degree of risk that even a combination of careful assessment, experience and know-how cannot eliminate. While the discovery of a deposit may prove extremely lucrative, few properties that undergo prospecting ever generate a producing mine. Substantial sums may be required to establish ore reserves, develop metallurgical processes and build mining and processing facilities at a given site. There can be no assurance that the exploration and development programs planned by the Company will result in a profitable mining operation. The economic life of a mineral deposit depends on a number of factors, some of which relate to the particular characteristics of the deposit, particularly its size, grade and proximity to infrastructure, as well as the cyclical nature of metal prices and government regulations, including those regarding prices, royalties, production limits, importation and exportation of minerals, and environmental protection. The impact of such factors cannot be precisely assessed, but may prevent the Company from providing an adequate return on investment.

### **Outlook**

Management will continue to manage its funds rigorously, its primary objective being to optimize return on investment for the Company's shareholders. The Company's development strategy is focused on the discovery of economically-viable deposits that will generate profits from mining and ensure the Company's survival. In applying its development strategy, management will take into account the global exploration context, stock market trends and the prices of gold and other metals.

### **Competition**

The Company competes with major mining companies and other natural resource companies in the acquisition, exploration, financing and development of new properties and projects. Many of these companies are more experienced, larger and better capitalized than the Company. The competitive position of the Company depends upon its ability to obtain sufficient funding and to explore, acquire and develop new and existing mineral-resource properties or projects in a successful and economic manner. Some of the factors which allow producers to remain competitive in the market over the long term are the quality and size of an ore body, cost of production and operation generally, and proximity to market. The Company also competes with other mining companies for skilled geologists and other technical personnel.

### **Permits and Licenses**

The operations of the Company require licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licences and permits that may be required to carry out further exploration, development and mining operations at its projects.

### **Volatility of Stock Price and Limited Liquidity**

The common shares of the Company are listed on the TSX Venture Exchange and on the Frankfurt and Berlin Exchanges. The common shares have experienced volatility in price and limited trading volume over the last several years. There can be no assurance of adequate liquidity in the future for the common shares.

### **Dependence on Key Personnel**

The Company is dependent on the services of certain key officers and employees. Competition in the mining exploration industry for qualified individuals is intense and the loss of any key officer or employee if not replaced could have a material adverse effect on the business and operations of the Company.

## **STRATEGY AND OUTLOOK**

Our objective is to maximize the value of the Company for our shareholders and our strategy to obtain this result is to develop our properties. To proceed with this strategy, we completed

several placements in 2011. The funds received were used to complete important drilling programs on the Elder-Tagami property and at Abcourt-Barvue and to start dewatering the Elder mine. Also, there were some share issues to purchase mining properties.

For any additional information, please consult our web site [www.Abcourt.com](http://www.Abcourt.com) and the SEDAR site [www.sedar.com](http://www.sedar.com).

## **CERTIFICATE**

This management's discussion and analysis has been approved by the Board of directors. A copy of this report will be provided within 10 days to a shareholder who has requested it.

*(s) Renaud Hinse* \_\_\_\_\_  
Renaud Hinse  
Chief Executive Officer  
2011/12/29

*(s) Jean-Guy Courtois* \_\_\_\_\_  
Jean-Guy Courtois  
Chief Financial Officer  
2011/12/29