



**Interim Management's Discussion  
And Analysis**

**For the Second Quarter  
Ended on December 31, 2013**

**ABCOURT MINES INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED ON DECEMBER 31, 2013**

This management's discussion and analysis provides an analysis of our exploration and development results and our financial situation which will enable the reader to evaluate important variations in exploration and development results and in our financial situation for the period ended December 31, 2013, in comparison with the second quarter of the previous year. This report supplements our audited financial statements dated June 30, 2013 and should be read in conjunction with these financial statements and the accompanying notes. Our financial statements are prepared in accordance with the applicable International Accounting Standard (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 and development 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 a description of the mining properties.

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

### **INCORPORATION AND NATURE OF OPERATIONS**

Abcourt Mines Inc. (the "Company" or "Abcourt") was incorporated by letters patent of amalgamation dated January 11, 1971 pursuant to Part 1 of the *Companies Act* (Quebec) and continued its existence under Part 1A of the same Act by certificate of continuation dated March 6, 1981. On February 14, 2011, the Company was continued automatically pursuant to the *Business Corporation Act* (Québec), following the coming into force of such Act. The Company is primarily engaged in the exploration of mining properties with a view to commercial production. It does not currently have any mines in production. The current Company's portfolio comprises only mining properties located in Abitibi, Province of Quebec, Canada.

### **FORWARD LOOKING STATEMENTS**

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

## GLOBAL PERFORMANCE FOR THE SECOND QUARTER

During the three-month interim period ended on December 31, 2013, the Company issued 4,450,000 shares and 2,150,000 warrants for a total value of \$359,000, including 150,000 flow-through shares for a value of \$15,000. The main exploration and evaluation expenses were incurred on the Elder property (mine development and diamond drilling). Smaller amounts were spent on the Abcourt-Barvue, Vendôme, Jonpol, Vezza and Aldermac properties.

### PRINCIPAL ANNUAL INFORMATIONS (audited)

#### Periods ended on June 30

	2013	2012	2011
<b>Statement of comprehensive income</b>			
Interests	55,100	91,999	38,479
Net loss	354,316	503,109	1,004,002
Net loss per share diluted	0.00	0.00	(0.01)
<b>Statement of financial position (\$)</b>			
Cash and term deposits	1,370,990	4,475,798	7,268,300
Total assets	21,086,078	20,720,267	19,592,087
Long-term debt	--	--	--
<b>Mining Exploration (\$)</b>			
Exploration and evaluation assets	14,361,612	11,182,075	8,294,532

### QUARTERLY INFORMATION (non-audited)

	2013 Dec.	2012 Dec.	2013 Sept.	2012 Sept.	2013 June	2012 June	2013 March	2012 March
<b>Statement of comprehensive income (\$)</b>								
Interests	1,548	13,824	13,025	15,231	16,542	20,036	9,503	20,217
Net profit (net loss)	(149,094)	(183,912)	(76,336)	(73,463)	(156,455)	(103,359)	59,514	(223,682)
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	1,225,619	2,721,087	1,138,364	4,475,798	1,370,990	4,475,798	2,694,903	5,405,867
Total assets	22,288,413	20,932,165	22,249,533	21,056,157	21,086,078	20,720,267	20,721,927	19,691,903
Long-term debt.	218,989	0.00	213,833	0.00	208,798	0.00	0.00	0.00
<b>Mining Exploration (\$)</b>								
Exploration and evaluation expenditures net of mining duties and tax credits	(1,215,529)	836,801	1,141,091	666,687	1,064,820	339,596	386,933	911,214

## INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

### Interest Income

Our revenue consists essentially in interest received on certificates of deposit. The amount received during the second quarter ended on December 31, 2013, was \$1,548. This amount was lower than the one received during the 2012 second quarter (\$13,824).

### Expenses

For the six-month period ended on December 31, 2013, expenses totaled \$293,893. They were about equal to the 2012 expenses (\$292,804) for the same period. The difference is found in the amortization of property, plant and equipment (+ \$23,050), in the restoration of the Vendome site (+ \$10,370), in the financing costs (+ \$8,039) and in the absence of share-based compensation (-\$51,900). See details below:

	2013	2012
(unaudited)	\$	\$
<b>EXPENSES</b>		
Amortization of property, plant and equipment	69,996	42,245
Professional fees	54,909	49,384
Consultant fees	6,075	35,998
Restoration of the Abcourt-Barvue site	17,926	29,738
Advertising	7,231	-
Payroll burden	9,455	3,086
Software and Internet	2,890	3,708
Salaries and fees	28,688	25,268
Restoration of the Vendôme site	10,370	-
Insurances	10,806	2,299
Taxes, licences and permits	209	-
Communications and meetings	-	5,906
Financing costs	12,056	9,093
Bank expenses	880	-
Accretion expense	10,191	-
Various	17,235	3,319
Registration, listing fees and shareholders' information	34,976	24,507
Forest expenses	-	6,353
Share-based compensation	-	51,900
	293,893	292,804

### Loss Before Income Tax

The loss before income tax and deferred taxes (\$279,320) compared to the previous year loss (\$257,375) was higher as revenues were lower (-\$20,856).

### Net loss and Comprehensive loss

The net loss and comprehensive loss for the six-month period ended on December 31, 2013 (\$225,430) was slightly higher than in the previous year (\$194,780). The drop in revenues accounts in great part for this difference.

## CASH FLOWS

### Operating Activities

During the first semester, operating activities before items not involving cash, used an amount of \$199,133 while in 2012, for the same period, \$163,230 were used. The non-cash working capital items were (\$940,445) in 2013 and (\$299,555) in 2012.

The net change in non-cash working capital items is provided in detail in note 4 of the financial statement.

### Financing Activities

In 2013, during the second quarter, financing activities totaled \$359,000. In 2012, there was no financing activity.

### Investing Activities

During the 2013 second quarter, investing activities totalled \$5,131,681. In 2012, an amount of \$1,846,451 was invested. In 2012 and 2013, the main investment was the acquisition of deferred evaluation and exploration assets and the acquisition of fixed assets.

In 2013, the investment cost was almost completely compensated by the sale of gold and silver ingots.

### Cash and Cash Equivalent at the End of the Second Quarter

At the end of the 2013 second quarter, the cash and cash equivalent totalled \$1,225,619 whereas in 2012, they totalled \$2,721,087. The available cash and cash equivalent on December 31, 2013, the proceeds from the sale in January 2014 of gold bullion (\$1,306,511) and the receipt of a tax credit (\$999,414) should be adequate to cover our planned activities over the next months.

Net change in non-cash working capital items:

	<u>2013</u>	<u>2012</u>
	\$	\$
Interests receivable	(11,545)	(28,436)
Taxes receivable	(390,586)	(18,507)
Other receivables and sale of gold	(1,314,604)	(101,095)
Mining duty and tax credit related to resources receivable	434,323	-
Prepaid expenses	11 063	(11,730)
Accounts payable and accrued liabilities	330,904	(139,787)
	<u>(940,445)</u>	<u>(299,555)</u>

Items not affecting cash and cash equivalents:

	<u>2013</u>	<u>2012</u>
	\$	\$
Acquisition of exploration and evaluation assets by issuance of capital stock	12,000	-
Provision for the restoration of a mining site charged to prospecting and evaluating assets	10,191	-

## TERM DEPOSITS

	<u>2013</u>	<u>2013</u>	<u>2012</u>
	<u>December 31</u>	<u>June 30</u>	<u>December 31</u>
	\$	\$	\$
Term deposit, bearing interest at 1.10%, maturing in April 2014, redeemable at any time	200,705	1,400,705	3,682,256
Part of the term deposit reserved for exploration and evaluation	-	-	1,052,635
	<u>200,705</u>	<u>1,400,705</u>	<u>2,629,621</u>

## INTERIM CHANGES IN EQUITY

On December 31, 2013, the assets totaled \$22,288,413 compared to total assets of \$21,086,078 on June 30, 2013. The increase is due to the private placements that were completed, less the net loss for the period of July to December 2013.

## STATUTE OF INCORPORATION, NATURE OF ACTIVITIES AND GOING CONCERN

Abcourt Mines Inc. was incorporated under Part 1A of the Quebec Companies Act. On February 14, 2011, the Company was automatically continued under Business Corporations Act (Quebec) following the entry into force of this law. The Company is engaged in the acquisition and exploration of mining properties in Canada. Its shares are trading on TSX Venture Exchange under the symbol ABI, on Berlin Stock Exchange under the symbol AML-BE and on Frankfurt Exchange under the symbol AML-FF. The address of the Company's head office is 506 des Falaises, Mont-St-Hilaire, (Quebec) J3H 5R7. The Company has economical ore reserves on the Abcourt-Barvue property. In addition, the Company presently extracts from the Elder mine, material mineralized with gold to be processed at a mill in the province of Quebec. The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be influenced by a number of factors, including exploration and extraction risks, regulatory issues, environmental regulations and other regulations.

As at December 31, 2013, the Company has a deficit of \$225,430 (\$194,780 in December 2012). In the past, the Company had to finance its operations through the issuance of shares and the exercise of share purchase options and warrants. At this moment, the management has a reasonable expectation that the milling of the mineralized material in the coming months will generate sufficient revenues to enable the Company to continue its operations for the foreseeable

future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Although management has engaged a qualified person to verify titles of the mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's property title. Property title may be subject to unregistered prior agreements and non-compliant with regulatory requirements. There is no indication to date that these situations may exist.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations and do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

These financial statements were approved by the Audit Committee on February 28, 2014.

## **APPLICATION OF NEW REVISED IFRS**

### **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The Company has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1st July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total income.

### **IFRSs in issue but not yet effective**

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

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. IFRS 9 is effective for annual periods beginning on or after January 1st, 2015, with earlier application permitted. The Company has not yet started assessing the impact of adopting IFRS 9; however, it expects that this effect will be limited.

## **Standards on Consolidation, Joint Arrangements, Associates and Disclosures**

In May 2011, a package of five Standards on consolidation, joint arrangement, associates and disclosures was issued including IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28. Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Concerning IAS 27, the requirements relating to separate financial statements will remain unchanged and will be included in the amended IAS 27. The other portions of IAS 27 will be replaced by IFRS 10.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

Amended version (2011) of IAS 28 now entitled «Investments in Associates and Joint Ventures» supersedes the current IAS 28 « Interests in Joint Ventures ». IAS 28 is amended to conform with the changes adopted based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

The five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1st, 2013, with earlier application permitted provided all of these standards are applied at the same time. Management anticipates that the application of these five standards will not have a significant impact on amounts reported in the financial statements.

### **IFRS 13, Fair Value Measurement**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for

measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. The Company will adopt prospectively this new standard for financial year starting on July 1st, 2013. Management anticipates that the application of the new Standard may result in more extensive disclosures in the financial statements.

### **Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures**

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments to IFRS 7 are effective to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1st, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1st, 2014, with retrospective application required. Management anticipates that future adoption of amendments to IAS 32 and IFRS 7 will have no significant impact for the Company.

### ***IFRC 20 Stripping costs in the production phase of a surface mine***

This new interpretation, issued by the International Accounting Standards Board in October 2011, clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 applies to the costs incurred to remove mine waste materials ("overburden") to gain access to mineral ore deposits during the production phase of a surface mine.

The main features of IFRIC 20 are as follows:

- If the benefit from the stripping activity is realized in the form of inventory produced, the entity accounts for the costs in accordance with IAS 2 Inventories. If the benefit is improved access to the ore, the entity recognizes the costs as an addition to an existing asset.
- The stripping activity asset is measured in the same way as the existing asset of which it is a part (i.e., at cost or revalued amount less depreciation or amortization and less impairment losses).

Depreciation or amortization is calculated over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The interpretation is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has not adopted this standard in advance but there could have implications for the next years.

### ***Amendments to IAS 16 Property, plant and equipment***

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. Management does not anticipate that the amendments to IAS 16 will have a significant effect for the Company.

### **Statements of compliance**

These interim financial statements of Abcourt Mines Inc. were prepared in accordance with IFRS. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements, unless otherwise indicated.

### **Functional Currency**

The reporting currency and the currency of all operations of the Company is the Canadian dollar, since it represents the currency of the primary economic environment in which the Company operates.

### **Cash and Cash Equivalents**

The Company presents cash and term deposits with original maturities of three months or less from acquisition date and term deposits redeemable in any time in cash and cash equivalents.

### **Tax Credit Related to Resources and Mining Duties Credit**

The Company is entitled to a tax credit related to resources of 35% on eligible exploration and evaluation expenses incurred in the province of Quebec. In addition, the Company is entitled to a mining duties credit equal to 16% of 50% of eligible exploration and evaluation expenditures, reduced of tax credit related to resources. These amounts are based on estimates made by management and provided that the Company is reasonably certain that they will be received. At that time, tax credit related to resources and mining duties credit are recorded as a reduction of exploration and evaluation expenses.

### **Term Deposit Reserved for Exploration and Evaluation**

Funds reserved for exploration and evaluation represent proceeds of financing not yet incurred in exploration and evaluation. The Company must use these funds for mining exploration and evaluation activities in accordance with restrictions imposed by those financing. As at December 31, 2013 funds reserved for exploration and evaluation amount to \$0.

## **Exploration and Evaluation Assets**

Expenditures incurred before the entity has obtained the legal rights to explore a specific area are recognized as expenses. Expenditures related to the development of mineral resources are not recognized 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 demonstrated and when recognition criteria of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets are fulfilled.

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

- they are held for use in the production of mineral resources;
- the properties have been acquired and expenses have been incurred with the intention of being used on a continuing basis; and
- they 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 demonstrated, exploration and evaluation assets are reclassified as mining assets under development and amortized according to the unit of production method. Exploration and evaluation assets are assessed for impairment before reclassification, and any impairment loss is recognized.

The Company reconsiders 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 exploration and evaluation assets may exceed its recoverable amount, the asset is tested for impairment. The recoverable amount is the higher of fair value less costs for sale and value in use of the asset (present value of the future cash flows expected). When the recoverable amount of exploration and evaluation assets is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss. The carrying amount of exploration and evaluation assets do not necessarily represents present-time or future value.

The prior years recognized impairment for exploration and evaluation asset or for any other long-lived asset (other than a goodwill) is reversed if there is an increase of the economic potential of asset, resulting from its use or sale since the last time an impairment has been recorder for this asset. If any, the carrying value of this asset is increased up to its recoverable amount, without being higher than it would have been recorded (net of amortization) like if the impairment had never been recognized for this asset in the prior years.

## **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.

## **Property, Plant and Equipment**

Property, plant and Equipment are accounted for at historical cost less accumulated amortization and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably.

Amortization of Property, plant and equipment is calculated using the declining method and at the following rates :

Vehicle	30%
Equipment and furniture	20%

The mill, the water treatment plant and tailings pond are not amortized because they have not been used yet.

Gains or losses on disposal of property, plant and equipment are determined by comparing the net proceed with the net carrying amount of the asset and are included in the statement of net loss and comprehensive loss.

## **Financial Instruments**

Financial assets are initially recognized at fair value and their subsequent measurement is dependent on their classification in the following categories: held-to-maturity investments, available-for-sale, loans and receivables and at fair value through profit or loss (“FVTPL”) and other liabilities. 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-to-Maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the intention and ability to hold to maturity. After initial recognition, held-to- maturity investments are measured at amortized cost using the effective interest method, less impairment loss. The Company has no held-to-maturity investment.

## Available-for-Sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or at FVTPL. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive loss until realized; the cumulative gain or loss is then transferred to profit or loss statement. The Company has no available-for-sale investment.

## Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes or available for sale. These assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Cash and cash equivalents, term deposits, term deposit reserved for exploration and evaluation and other receivables are classified as loans and receivables.

## Financial Asset at Fair Value Through Profit or Loss (“FVTPL”)

Financial assets at FVTPL include financial assets held by the Company for short-term profit, derivatives not in a qualifying hedging relationship and assets voluntarily classified in this category, subject to meeting specified criterias. These assets are measured at fair value, with any resulting gain or loss recognized in the profit or loss statement. The Company has no financial asset classified as FVTPL.

## Other Liabilities

Other liabilities are initially recognized at fair value less transaction costs directly attributable. Thereafter, they are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other liabilities.

## Transaction Costs

Transaction costs related to financial asset at FVTPL are recognized as expenses as incurred. Transaction costs related to available-for-sale financial assets, held-to maturity investment and loans and receivables are added to the carrying value of the asset and transaction costs related to other liabilities are netted against the carrying value of liability. They are then recognized over the expected life of the instrument using the effective interest method.

## Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including transaction costs) through the expected life of the financial asset/liability, or, if appropriate, a shorter period.

## **Decommissioning Provisions mining Sites**

A provision is a liability for which the maturity or the amount is uncertain. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Company is subject to environmental laws and regulations enacted by federal and provincial authorities. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. To take account of estimated cash flows required to settle the obligations arising from environmentally acceptable closure plans (such as dismantling and demolition of infrastructures, removal of residual matter and site restoration), provisions are recognized in the year, when the Company has an actual restoration mining sites obligation and it is likely that an outflow will be required in settlement of the obligation and the obligation is reasonably determinable. These provisions are determined on the basis of the best estimates of future costs, based on information available on the reporting date. Best estimates of future costs are the amount the Company would reasonably pay to settle its obligation on the closing date or to transfer it to a third party on the same date. Future costs are discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability. A corresponding asset is recognized in the related mining asset when establishing the provision. The provision is reviewed annually to reflect changes in the estimated outflow of resources as a result of changes in obligations or legislation, changes in the current market-based discount rate or an increase that reflects the passage of time. The accretion expense is recognized in net earnings as a finance expense as incurred.

The cost of the related asset is adjusted to reflect changes (other than accretion) in the reporting period. Costs of restoration of mining sites are deducted from the provision when incurred. The management of the Company determined that decommissioning provisions for mining sites are amounting to \$218,989 as at December 31, 2013 (none as at December 31, 2012). No other provision is required in relation with the other properties of the Company.

## **Share-Based Compensation**

The Company accounts for stock-based compensation over the vesting period of the rights to stock options. Share purchase options granted to employees and directors and the cost of services received are evaluated and recognized on fair value basis using the Black-Scholes option pricing

## **Equity-Settled Share-Based Payment**

For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

## **Flow-through Shares**

The Company considers that the issue of flow-through shares is in substance an issue of common shares and the sale of tax deductions. The sale of tax deductions is measured using the residual method. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liability in the statement of financial position. When eligible expenditures are incurred (as long as there is the intention to renounce them), 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.

## **Warrants**

In connection with financings, the Company may grant warrants. A warrant entitles its holder to purchase one share at a price determined at grant for a certain period of time. Proceeds from the sale of units 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 Issuance Expenses**

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

## **Basic and Diluted Loss per Share**

The basic loss per share is calculated using the weighted average of shares outstanding during the year. The diluted loss per share, which is calculated with the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of share purchase options and warrants.

## **Revenue Recognition**

Investment transactions are accounted for using the accrual basis and interest income is accrued based on the number of days the investment is held during the year.

Revenue from the sale of ore during the development phase of a mine site are considered to be directly attributable to the development of the site and are recorded as a reduction of cost of mining assets under development. Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards incidental to ownership of property. The amount of revenue can be measured reliably and it is probable that the economic benefits associated the transaction will flow to the Company.

## **Mining Properties Option Agreements**

Options on interests in mining properties acquired by the Company are recorded at the value of the consideration paid, including other benefit given up but excluding the commitment for

future expenditures. Commitment for future expenditures does not meet the definition of a liability and thus are not accounted for. Expenditures are accounted for only when incurred by the Company.

When the Company sells interests in a mining property, it uses the carrying amount of the property before the sale of the option as the carrying amount for the portion of the property retained, and credits any cash consideration received and also fair value of other financial assets against the carrying of this portion (any excess is recognized as a gain in the profit or loss statement).

### **NSR Royalties**

The NSR royalties are generally not 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.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes except when deferred income results from an initial recognition of goodwill or from initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they will reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year 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.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. At the end of each reporting period of financial information, the Company reassesses the tax deferred asset not recognized. Where appropriate, the Company records a tax deferred asset that had not been recorded previously to the extent it has become probable that future taxable profits will recover the tax deferred asset.

### **Segment disclosures**

The Company currently operates in a single segment: the acquisition, exploration and development of mining properties. All of the Company's activities are conducted in Canada.

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

The preparation of financial statements in accordance with IFRS requires management to use good judgment and to make estimates and assumptions that affect the application of accounting policies as well as the carrying amount of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Any revision of accounting estimates is recognized in the period during which the estimates are revised and in future periods affected by these revisions.

### a) Impairment of mining properties and exploration and evaluation assets:

Mining properties and exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of mining properties and exploration and evaluation assets require significant judgment. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

Based on analysis performed during the year 2013, the Company has impaired Vezza exploration and evaluation costs for a total of \$113,287. By the best estimate of the management, the value of Vezza property is estimated at the acquisition cost of the claims.

### b) Key Sources of Estimation Uncertainty:

#### i) Valuation of credit related to resources and mining duties credit

Credit related to resources and mining duties credit for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates end tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection.

The calculation of the Company's credits necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to credit related to resources and to mining duties credit, exploration and evaluation assets and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and management's judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the

accounting estimates and therefore have an impact on the Company's financial position and its cash flows.

ii) Share-based payment

The fair value of share purchase options granted is determined using Black-Scholes pricing model that takes into account the exercise price and expected life of the option, the current price of the underlying stock, its expected volatility, the expected dividends on the stock, and the current risk-free interest rate for the expected life of the option. The inputs used to determine the fair value are composed of significant judgements and estimates aim to approximate the expectations that likely would be reflected in a current market or negotiated exchange price for the option.

c) Decommissioning Provisions for Mining Sites:

The Company assesses its assets retirement obligations annually. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimate of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of maintenance and restoration measures and changes in the discount rate. This uncertainty may lead to differences between the actual expense and the allowance. At the date of the statement of financial situation, assets retirement obligations represent management's best estimate of the charge that will result when the actual obligations are terminated.

d) Critical judgments in applying accounting policies

i) Start of Commercial Production

Management assesses the stage of completion of Elder mine to determine when it begins commercial production. The Company considers a number of criteria to determine when a mine enters into commercial production, thereby resulting in reclassification of all expenses capitalized to Elder Mine in production. The following criteria are used:

- The achievement of a predetermined level of activities;
- The ability to support a continuous production and achieve constant operating results over a period of time;
- Recovered grade, ore value and generating significant revenues;
- Stage of completion of development works.

All of these conditions will be assessed by a feasibility study which is expected to be done in the first quarter of calendar year 2014.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS

The Company provided information on its deferred exploration and evaluation assets in its interim financial statements for the period ended December 31, 2013. The Company has no deferred expenses other than mining properties and deferred exploration and evaluation assets.

The Company has no research and development expenses.

### EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets for the first quarter ended on December 31, 2013 totaled \$4,950,975 compared to \$1,606,354 for the previous year.

Most of the expenses this year consisted in the mine development of the Elder mine and diamond drilling. Last year, expenses were for diamond drilling and the de-watering of the Elder mine.

#### Details on the two most important items in exploration and evaluation expenses in the six-month period ended on December 31, 2013:

1. The most important expense was for the mine development of the Elder mine at a cost of \$4,584,325;
2. The second most important expense was for consulting fees and expenses totalling \$137,075.

#### Exploration and evaluation expenses

For the six-month periods ended on December 31, 2013 and 2012, the following expenses associated to the discovery of mineral resources, were included in the cost of exploration and evaluation expenses.

	2013 6 months	2012 6 months
	\$	\$
<b>EXPLORATION AND EVALUATIONS EXPENSES :</b>		
Elder mine development	4,584,325	-
Fees and engineers expenses	137,075	245,392
Royalties	133,545	-
Drilling	52,587	90,763
Mining properties	27,240	5,273
Telephone and electricity	6,133	12,230
Analysis	3,706	9,317
Elder mine Dewatering	4,304	1,105,380
General exploration and evaluation expenses	1,985	-
Insurance, taxes and permits	75	972

	2013 6 months	2012 6 months
	\$	\$
Preliminary economic assessment	-	126,651
Other exploration expenses	-	2,418
Repairs	-	7,958
Increase of exploration and evaluation expenses	4,950,975	1,606,354
Impairment	-	-
Ingots sales	(4,955,613)	-
Mining duties and tax credit related to resources	(69,800)	(102,866)
Balance, beginning of year	14,361,612	11,182,075
Balance, end of year	14,287,174	12,685,563

On December 31, 2013, there were 3,200 tonnes of mineralized rock stock piled on surface, in part at the mine site and in part at the mill site. The mine development program was continued in January and February 2014 and 7,000 tonnes were extracted from the mine and approximately 4,900 tonnes were treated at the Aurbec's Sleeping Giant mill. On February 28, 2014, there are approximately 5,300 tonnes of mineralized material stock piled in part at the mine site and in part at the mill.

#### Exploration and Evaluation Expenses, by Properties:

	Balance as at June 30, 2013	Addition 2013	Mining duties and tax credits	Impairment	Sales of Ingots	Balance as at December 31, 2013
		\$		\$		\$
Abcourt – Barvue, Qc	3,505,449	123,352	(38,196)	-	-	3,590,605
Vendôme, Qc	200,925	140	( 33)	-	-	201,033
Elder, Qc	7,305,330	4,758,885	(15,307)	-	(4,955,613)	7,093,295
Aldermac , Qc	616,457	552	(74)	-	-	616,935
Jonpol , Qc	627,127	40,805	(16,190)	-	-	651,742
Veza , Qc	-	-	-	-	-	-
	12,255,288	4,923,735	69,800	-	(4,955,613)	12,153,610

#### CAPITAL STOCK

##### Authorized

Unlimited number of preferred shares without par value which may be issued in one or more series; the privileges, rights, conditions and restrictions will be determined by the Board of Directors.

Unlimited number of subordinate class “A” shares, without par value, non-voting.

Unlimited number of voting class “B” shares, without par value.

Changes in Company “B” capital stock were as follows:

	Six-month period closed December 31, 2013		Year ended June 30, 2013	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	167,019,772	34,936,391	162,034,772	34,445,765
Paid in cash	11,720,000	780,629	1,742,000	150,882
Flow-through shares	3,442,647	240,985	3,243,000	339,744
Mining property	150,000	12,000	-	-
Balance, end of year	<u>182,332,419</u>	<u>35,970,005</u>	<u>167,019,772</u>	<u>34,936,391</u>

On the date of this report, there were 182,332,419 class B shares issued and outstanding.

### Shares, Options and Warrants issued in the six-month period ended on December 31, 2013

#### Shares issued

In August and September 2013, the Company closed a private placement of 742 units at a price of \$700 per unit. Each unit consisted of one class "B" share and one-half warrant, each whole warrant entitling its holder to purchase one share until August or September 2014. The total gross proceeds of \$519,400 have been presented net of the fair value of warrants amounting to \$57,711.

In this private placement, 3,292,647 flow-through shares were issued at a price of \$0.085 per share. The total gross proceeds of \$279,875 were presented net of the fair value of the premium on flow-through shares for an amount of \$49,390.

On October 15, 2013, the Company issued 150,000 class B share for a value of \$12,000 to purchase a property.

In October, 2013, the Company closed a private placement of 4,300,000 units at a price of \$0.08 per unit. Each unit consists of one class B share (common share) and one half of a warrant, each whole warrant entitling its holder to purchase one share at \$0.10 for a 12 month period. The total gross proceeds of \$344,000 will be presented net of the fair value of warrants amounting to \$25,060. The fair value of each warrant granted was estimated using the Black-Scholes pricing model according to the following assumptions: estimated duration of 1 year, risk-free interest rate of 1.02%, share price at the time of grant of \$0.07, dividend yield of 0% and expected volatility of 55.2%.

In October, 2013, the Company closed a private placement of 150,000 flow-through class B share (common) at \$0.10 per share. The total gross proceed of \$15,000 will be presented net of a premium on flow-through shares of \$4,500.

#### Options

In the six-month period, there was no change in the options to purchase common shares.

## Warrants

During the semester, the Company granted warrants to investors through private placements. The fair value of warrants was estimated using the Black-Scholes pricing model considering the following weighted average assumptions: estimated duration of 1 year (1,3 year in 2013 June), risk-free interest rate of 1.08% (1.09% in 2013 June), share price at the time of grant of \$0.07 (\$0.11 in 2013 June), dividend yield of 0% (0% in 2013 June) and expected volatility rate of 55.2% (72% in 2013 June).

Warrants Outstanding as at December 31, 2013	Exercise Price	Expiry Date
	\$	
871,000	0.16	October 2014
3,710,000	0.10	August 2014
<u>2,150,000</u>	0.10	October 2014
<u>6,731,000</u>		

## Options granted to Brokers and Intermediaries

All the options issued to Brokers and Intermediaries have expired in previous periods.

## Convertible Securities

None

## Escrowed Shares

None

## CONTRACTUAL OBLIGATIONS

### Long-term Debt

The Company has no long-term debt, other than the provision for the restoration of the Elder mine site when operations will be terminated.

In the August-September and October 2013 financings, there were \$294,875 received from the sale of flow-through shares. The Company has spent this amount in exploration and evaluation expenditures before December 31, 2014.

## **Royalties**

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

One of the requirements regarding the Jonpol property was to spend a certain amount of money before December 31, 2013. This amount has already been spent.

## **Environment**

A settling pond on the Abcourt-Barvue property was restored during the 2005-2010 years. We also installed a water treatment plant to treat a small leachate produced by the restored basin. In the second quarter, restoration expenses were \$23 in 2013 and \$15,882 in 2012.

Furthermore, an amount of \$10,370 was spent on the Vendôme property in the first semester of 2013 (\$0 in 2012).

## **Provisions for decommissioning mine sites**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Amount on June 30, 2013	208,798	-
Addition of the 1 <sup>st</sup> semester	10,191	-
Balance, end of the 1 <sup>st</sup> semester	218,989	-

The amount of the obligation amounts to \$480,670 and represents the estimate of Elder mining site restoration costs. This amount has been capitalized for a period of ten years with an inflation rate of 1.2% and was subsequently discounted at a 10% rate. Its present value is therefore \$218,989 as at December 31, 2013.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any arrangements off balance sheet.

## RELATED PARTY TRANSACTIONS

The tables below show related party transactions and balances payable for each of the Company's related party. The amounts payable are usually settled in cash.

	Six month period closed December 31, 2013	Six month period closed December 31, 2012
	\$	\$
<b>Company controlled by the Chief Executive Officer and President of the Company</b>		
Engineer fees included in exploration and evaluation	138,000	57,000
Invoiced expenses included in exploration and evaluation expenses	14,330	10,651
Fees and financing costs	2,000	4,000
Forestry expenses	-	-
Restoration of a mining site	-	-
Royalties	72,982	-
Consultants fees	-	4,000
Office supplies	-	10,651
Balance included in payable accounts and accrued liabilities as at December 31	-	103,238
<b>Directors and Key Management Personnel</b>		
Salaires and administrative fees	1,600	51,900
Professional fees	4,764	6,000
Share issuance expenses	-	-
Financing costs	3,600	-
Registration, listing fees and shareholders' information	7,890	-
Office supplies	1,295	-
Balance included in accounts payable and accrued liabilities as at December 31	7,624	-

These transactions were measured at the amount of consideration established and agreed by the related parties.

During the quarter, the share-based compensation for the directors and key executives of the Company is amounting to \$0 (\$51,900 as at December 31, 2012).

## CONTINGENT LIABILITIES

- 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. 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, or the Company.

## **COMMITMENTS**

In February 2007, the Company signed an agreement with Aur Resources inc. (company replaced by Teck Cominco Limited following a merger). Under this agreement, the Company could acquire 100% of Jonpol property. The Company paid \$20,000 in cash at the signature of the agreement. In addition, the Company will have to pay \$355,000 in cash and will have to incur \$4,000,000 in cost on the property over a six year period. In October 2008, the agreement was modified. In relation with that new agreement, to replace the payments amounting to \$355,000 provided, the Company issued to Teck Cominco Limited 400,000 shares and 400,000 warrants. Each warrant allowed its holder to subscribe to one share at a price of \$0.30 until September 2010. In addition, the cumulative costs on the property were reduced to \$1,000,000 with a minimum of \$100,000 per year for 2009 and 2010. The Company must have to complete the \$1,000,000 expenses before December 31, 2011. As the Company did not incur all the required investments, the Company asked to Teck Cominco Limited for a delay extension. The later has agreed to provide a notice until December 31, 2013 but with the obligation to incur a total of \$1,100,000, with a minimum of \$100,000 per year for 2011 and 2012. On December 31, 2013, the Company had almost completed the works requirement.

The Company has leased with an option to purchase a used Ingersoll Rand compressor, for an amount of \$40,000 payable in twelve monthly installments of \$3,000 and a final one of \$4,000.

## **SUBSEQUENT EVENTS**

Please, see note 18 on page 39 of the Financial Statements.

## **MINING PROPERTIES**

Abcourt 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:

### **THE ELDER-TAGAMI MINE**

The Elder mine is owned 100% by Abcourt. The mine is conveniently located inside the mining community of Rouyn-Noranda, Quebec, just six miles (ten km) northwest from the town center. 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 794 meters (2,606 feet) by two shafts and several drifts on 16 levels. Most of the mining equipment is available and all the facilities are in place.

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. The CDR vein is located 4,500 feet (1,377 m) south of vein no. 1.

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 2012, several surface drilling programs were completed and results obtained were used to revise the 43-101 resources. Also, all the old historic data were converted to the metric system. The revision of resources was completed by Mr. Jean-Pierre Bérubé, P. Eng. Mr. Bérubé is a qualified, independent person.

Here are the results of the 2012 calculations:

*Table 1a – Measured and indicated resources at Elder and Tagami*

ZONE	MEASURED			INDICATED			MEASURED + INDICATED			GOLD OUNCES
	TONNES (metric)	GRADE (g/t)	WIDTH (m)	TONNES (metric)	GRADE (g/t)	WIDTH (m)	TONNES (metric)	GRADE (g/t)	WIDTH (m)	
ELDER	512,739	6.68	2.20	671,139	6.50	2.16	1,183,878	6.58	2.18	250,341
CDR				4,172	16.49	2.50	4,172	16.49	2.50	2,213
TAGAMI	—	—	—	173,162	6.54	2.10	173,162	6.54	2.10	36,391
<b>TOTAL ALL</b>	<b>512,739</b>	<b>6.68</b>	<b>2.20</b>	<b>848,473</b>	<b>6.55</b>	<b>2.10</b>	<b>1,361,212</b>	<b>6.60</b>	<b>2.14</b>	<b>288,945</b>

*Table 1b – Inferred resources at Elder and Tagami*

<b>ZONE</b>	<b>TONNES</b>	<b>GRADE</b>	<b>WIDTH</b>	<b>GOLD OUNCES</b>
	<b>(metric)</b>	<b>(g/t)</b>	<b>(m)</b>	
ELDER	412,668	5.76	1.92	76,392
CDR	50,248	5.15	1.83	8,328
TAGAMI	<u>175,384</u>	<u>5.69</u>	<u>1.68</u>	<u>32,106</u>
<b>TOTAL ALL</b>	<b><u>638,300</u></b>	<b><u>5.70</u></b>	<b><u>1.85</u></b>	<b><u>116,826</u></b>

Based on the new resources estimate, a preliminary economic assessment (PEA) report was prepared to determine if additional exploration work were needed to increase resources before considering mine development, or not.

The NI 43-101 preliminary economic assessment report (P.E.A.) on the Elder gold mine project prepared by Roche Ltd., Consulting Group (Roche) and independent consultants, indicates a total cash flow of \$138 M over a 10.4-year initial period of mine life, a before-tax Net Present Value (NPV) of \$81.8 M at a discount rate of 8%, a before-tax Internal Rate of Return (IRR) of 140.5% and a payback period of 1.1 years.

This study is based only on the 43-101 Elder resource calculations made by Mr. Jean-Pierre Bérubé, Eng., (refer to the press release dated April 25, 2012) listed above and filed on SEDAR on May 9, 2012. It does not include any of the indicated and inferred gold resources located on the adjacent Tagami property, or any new resources that may be found by doing some exploration at the Elder mine.

The preliminary economic assessment includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The qualified persons responsible for this 43-101 report are Pierre Casgrain, Eng., Garand Gagnon, Eng., Alain Dorval, Eng., and Martin Magnan, Eng., of Roche Ltd., Consulting Group and Lise Chénard, Eng., Michel Bilodeau, Eng., and Jean-Pierre Bérubé, Eng., independent consultants.

Here is the economic analysis extracted from the Roche report:

#### GENERAL

A preliminary economic/financial analysis of the project has been carried out using a cash flow model. The model is constructed using annual cash flows in constant money terms (third quarter 2012). No provision is made for the effects of inflation. As required in the financial assessment of investment projects, the evaluation is carried out on a so-called “100% equity” basis, i.e., the debt and equity sources of capital funds are ignored.

Results are presented on a before-tax basis. The model reflects the base case macro-economic and technical assumptions given in this report.

## MACRO-ECONOMIC ASSUMPTIONS

The main macro-economic assumptions used in the base case are given in Table 1 below.

The gold price forecast is based on the average London Fix over the past three-year period. The sensitivity analysis examines a range of gold prices 30% above and below the base case price.

*Table 1 – Macro-Economic Assumptions*

Item	Unit	Value
Gold Price	\$US/oz	1,436
Exchange Rate	CAD/USD	1.00
Discount Rate	% per year	8
Discount Rate Variants	% per year	6 & 10

Apart from the base case discount rate of 8 %, two variants of 6 and 10 % are used to determine the net present value of the project. These discounts rates represent possible weighted-average costs of capital to the investor.

## MINERAL ROYALTIES

The present financial analysis incorporates royalty agreements resulting in three rates of payments that depend on the location of the resources extracted. A 3 % NSR royalty applies to resources extracted from levels 1 to 9, a 2.5 % NSR royalty applies to resources extracted from level 10, and a 2 % NSR royalty applies to resources extracted from levels 11 to 15.

### *Technical Assumptions*

The main technical assumptions used in the base case are given in **Table 2** below.

*Table 2 – Technical Assumptions*

Item	Unit	Value
Total Resources Mined	K tonnes	1488.9
Design Extraction Rate	tonnes milled / year	150,000
Life of Mine	Years	10.4
Average Mill Feed Grade	g/t Au	5.48 <sup>(1)</sup>
Toll Mill Process Recovery	%	94
Total Gold Production	K ounces	246.5
Average Mining Operating Cost	(CA\$ / tonne mined)	66.41
Transport Cost to Toll Mill	(CA\$ / tonne milled)	12.50
Average Process Operating Cost (Toll mill)	(CA\$ / tonne milled)	32.73
General & Administration Cost	(CA\$ / tonne milled)	15.34
Refining Cost	(CA\$ / oz Au)	3.00

<sup>(1)</sup> 5.48 g/t = 0.176 ounce of gold per tonne

A reduced production of 80,000 tonnes milled in the first year of production provides for a ramp-up to the full capacity of 150,000 tonnes milled per year in the following years.

## FINANCIAL MODEL AND RESULTS

A summary of the base case results is given in **Table 3** below.

The cash flow statement for the base case is reproduced in **Table 4** of the report.

In **Table 3** and the cash flow statement, the following can be observed:

A total at-mine revenue of \$353.3 M is forecast. This amounts to an average of \$237.27 per tonne milled.

The total pre-production capital expenditure is evaluated at \$ 2.1 M, excluding working capital, and the total sustaining capital requirement, excluding closure costs, is evaluated at \$2.2 M. An initial working capital, equivalent to 6 months of operating expenses in year 1, is provided at start-up, and is reduced to an equivalent of 3 months thereafter. The Spare Parts and Capital Spares entries listed under the indirect capital expenses are included in the initial working capital requirement. The initial working capital outlay is \$5.3 M. Additional amounts are injected or withdrawn as total annual operating costs increase or decrease over the life of mine. A total of \$0.6 M is provided for closure costs.

The total operating costs are estimated at \$200.7 M for the life of the mine or on average \$134.83/tonne milled. The total NSR royalty payments are evaluated at \$9.8 M or on average \$6.56 per tonne milled.

The financial results indicate a total before-tax cash flow of \$137.9 M, a before-tax Net Present Value (NPV) of \$81.8 M at a discount rate of 8 %, a before-tax Internal Rate of Return (IRR) of 140.5 % and a payback period of 1.1 years.

**Table 3 – Project Evaluation Summary**

Items	Base Case (M CAD \$)
Total At-mine Revenue	353.276
Pre-production Capital Expenditures (excludes Spares)	2.121
Sustaining Capital Expenditures	2.228
Initial Working Capital Requirement	5.317
Mine Closure Costs	0.562
Total Operating Costs	200.745
Total NSR Royalty Payments	9.766
Total Before-tax Cash Flow	137.854
Before-tax NPV @ 8%	81.823
Before-tax NPV @ 6%	92.562
Before-tax NPV @ 10%	72.636
Before-tax IRR (%)	140.5
Before-tax Payback Period (years)	1.1

## SENSITIVITY ANALYSIS

A sensitivity analysis indicates that, within the level of accuracy of the cost estimates, project viability does not appear to be affected by the under-estimation of capital costs and operating costs, taken individually. The net present value is more sensitive to variations in operating expenses and the price of gold. A gold price of approximately \$875 per ounce results in break-even condition i.e. yields an NPV of zero at a discount rate of 8%.

The full report was filed on Sedar under the heading «technical report» and on our website.

This positive economic analysis justifies a mine development program at the Elder mine with the objective of completing a feasibility study and putting the Elder gold mine in production as soon as possible (within the next 6 months).

Currently, the mine is in a mine development phase with about 50 persons working at the mine. As we were not able to get the necessary financing to proceed according to the plan used to prepare the PEA study, we had to modify the approach. As soon as we received the Certificate of Authorization from the ministry of Environment and permits to use explosive from the *Sûreté du Québec*, in April 2013, we started with the preparation of stopes and the extraction of ore from stopes. At September 30, 2013, we had accumulated in piles on the surface about 15,800 tonnes of gold mineralization. Rehabilitation and excavation of drifts has been delayed until we receive revenue from the milling of mineralization extracted. This had the effect of delaying access to new production sites, but it allowed us to save our working capital. The custom milling of gold mineralization began in October 2013 at the Sleeping Giant mill of Aurbec Mines.

The milling of this gold mineralization began on October 2 and continued thereafter until December 11, 2013. During this period, 22,333 tons were milled. A total of 3,683.83 ounces of gold and 992.75 ounces of silver were sold for a total of \$ 4,955,633. The average grade was 5.12 grams per tonne. The mill recovery was about 96.2%.

The management of the Company expects that the treatment of the gold mineralization will produce enough revenues to cover most, if not all, future mine development costs during the mine development stage. If these funds are not sufficient, the Company will, as in the past, finance itself by the issue of shares or by debt. With the proceeds from the sale of gold being available now, the tempo of mine development will be accelerated with the objective of reaching full capacity in the middle of 2014. Consequently, we have hired two development crews to rehabilitate the 8<sup>th</sup> and 9<sup>th</sup> levels and to extend the western drift on the 8<sup>th</sup> level to have access to new stoping blocks.

For Elder-Tagami, the following has to be realized:

- Hire miners and buy additional mine equipment to increase the production rate;
- Rehabilitate or extend drifts to have access to new stopes;
- Assess other more economical possibilities to treat our material. Several mills in the area are available or have available capacity;
- Revise the 43-101 resources at the Elder mine and prepare a feasibility study early in 2014;

- Decide to go into commercial production as soon as all the necessary elements will be in place;
- If possible, raise \$2 to \$3M by debt to buy mining equipment and to increase working capital.

Not being in production, we do not have yet expansion plans nor any plans to increase productivity.

Our budget for the six-month period ending on June 30, 2014 will be adjusted to the revenues received from the sale of gold. For the extraction of about 108,000 tonnes containing about 18,000 ounces of recoverable gold, the estimated cost is about \$17.6 million.

### **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.

At Abcourt-Barvue, a diamond drilling program in the western part of the ore zone was completed in 2011–2012 to upgrade a block of inferred ore between 150 and 200 meters of depth. The amount needed to build the mine was estimated in a feasibility study completed in 2006 at \$71M including working capital. However, we have assessed several other scenarios since that time (not 43-101) with costs between \$46M and \$70M. We also looked at the possibility of

spinning off this project into a new company. Before proceeding with this plan, we have to choose the best scenario as a function of metal prices and update the feasibility study. The start of this project depends on the availability of funds and we have no guarantee that we will get the necessary funds.

During the 2013 July–December period, an amount of \$123,352 was spent. The main activity was the revision of resources by Mr. Jean-Pierre Bérubé, Consulting engineer. Mr. Bérubé is an independent person. There was also two diamond drill holes completed for a total of 400 meters. Here is a comparative table of resources in 2014 and the 2006 :

***Resources of all categories***

CATEGORY	2014 Estimate			2006 Estimate		
	TONNES	Ag (g/t)	Zn (%)	TONNES	Ag (g/t)	Zn (%)
Measured	6,284,000	43.98	3.09	6,516,000	58.32	3.33
Indicated	1,799,000	95.51	2.94	503,000	98.35	3.44
<b>M + I</b>	8,083,000	55.45	3.06	7,019,000	61.19	3.33
Inferred	2,037,000	114.16	2.89	1,506,000	120.53	2.98

If the open pit outlines designed in 2007 by GENIVAR remains unchanged, it is estimated that 77% of the measured and indicated resources could be extracted from an open pit and 23% from underground operations.

The increase in tonnage between the 2006 estimate and the 2014 estimate was brought about by additional diamond drilling in 2010 and 2011 and by a substantial increase in the price of silver which enabled us to use a lower cut-off grade.

**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 153 meters (500 feet). A total of 2,134 meters (7,000 feet) of drifts and raises were excavated and 540 holes were drilled underground for a total of 66,700 meters (218,776 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.

In 2011, four holes were drilled to confirm historical resources and excellent results were obtained. See our Press Release dated August 9, 2011. An evaluation of resources according to

NI 43-101 was completed by Mr. Jean-Pierre Bérubé, Consulting Engineer, and a report was published on February 12, 2013. Mr. Bérubé is a qualified independent person. This report was filed on SEDAR.

Here are the 43-101 Vendôme resources:

<u>Category</u>	<u>Tonnes</u>	<u>Grade</u>			
		<u>Au</u> <u>g/t</u>	<u>Ag</u> <u>g/t</u>	<u>Cu</u> <u>%</u>	<u>Zn</u> <u>%</u>
Mesured	347,890	1.46	73.97	0.52	9.78
Indicated	<u>364,332</u>	<u>1.00</u>	<u>47.15</u>	<u>0.74</u>	<u>5.33</u>
Total	712,332	1.23	60.11	0.63	7.50
Inferred	<u>305,769</u>	<u>0.99</u>	<u>36.77</u>	<u>0.49</u>	<u>4.30</u>
Total all categories	<u>1,017,991</u>	<u>1.15</u>	<u>53.10</u>	<u>0.59</u>	<u>6.54</u>

### **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>
<b>Area around the old mine</b>	620,000	1.60 ±	2.00 ±	0.2
<b>New ore body to the east</b>	<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 2012. However, this property is interesting and additional work will be done as soon as funds become available.

## **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. Titano, 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.

Aur Resources, with whom we had negotiated the first agreement, was amalgamated with Teck-Cominco Limited. We renegotiated the Agreement with the latter and obtained more advantageous conditions.

### **Diamond drilling in the first quarter of the 2012 period**

During the first quarter of the period ended on June 30, 2012, 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.

### **Diamond drilling in the period ending on June 30, 2013**

Expenses during the financial year ended June 30, 2013 were of \$166,825, including \$90,688 in drilling and \$70,845 in engineer and technicians fees.

In September 2012, six additional holes, for a total of 1,466 meters, were drilled. These holes did not produce any significant results.

### **Diamond drilling in the quarter ending December 31, 2013**

During this quarter, one 174-meter hole was drilled. Several low grade silver zones were intersected.

### **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.

In the period ending on June 30, 2013, we drilled four holes (1,011 meters) on the sediment/volcanic contact, usually mineralized with pyrite and some gold. No significant value was intersected. These holes were drilled to renew the claims.

During the period ending on June 30, 2013, the Company decided to write-off the value of the deferred assets and evaluation expenses as she is focusing on other projects.

### **PERSON RESPONSIBLE OF TECHNICAL INFORMATION**

The qualified person under National Instrument 43-101 respecting standards of disclosure for mineral projects, who is responsible of the technical information relating to the mining properties of the Company, is Mr Renaud Hinse, mining engineer, President of Abcourt Mines Inc.

### **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.

### **Risks concerning titles 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, two private placements were completed lately and the funds obtained (\$1,170,275) were used or will be used to realize drilling programs at the Elder mine, the Abcourt-Barvue and Jonpol 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 request it.

(s) Renaud Hinse  
Renaud Hinse  
Chief Executive Officer  
2014/02/28

(s) Yves Usereau  
Yves Usereau  
Chief Financial Officer  
2014/02/28