



**ANNUAL MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**For the year ended on June 30, 2018**

**ABCOURT MINES INC.**

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## **ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS**

This management's discussion and analysis provides an analysis of our exploration, valuation and exploitation results and our financial situation which will enable the reader to evaluate important variations in exploration, valuation and exploitation results and in our financial situation for the period ended June 30, 2018, in comparison with the previous period. This report supplements our audited financial statements and should be read in conjunction with our financial statements and the accompanying notes. Financial statements for the year ended June 30, 2018 were prepared in accordance with the applicable international accounting system. 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, valuation and exploitation 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 our web site at [www.abcourt.com](http://www.abcourt.com), where you will find a description of our mining properties.

### **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, valuation and exploitation of mining properties. The current Company's portfolio of mining properties 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 OF THE 2018 FISCAL YEAR

During the 12-month period ended June 30, 2018, the Company issued 12,024,852 shares and 1,345,000 warrants for a total value of \$995,212, including 9,334,852 flow-through shares, for a value of \$793,462. The exploration and valuation expenses were incurred mostly on Abcourt-Barvue. Smaller amounts were spent on the Flordin and Discovery properties. The Elder mine was in commercial production over the full year, and the value of the assets increased from \$37,458,247 in 2017 to \$41,507,032 in 2018, that is a 11% increase.

### PRINCIPAL ANNUAL INFORMATIONS (audited)

#### Periods ended on June 30

	2018	2017	2016
<b>Statement of comprehensive income</b>			
Revenues	26,044,120	22,251,954	11,536,126
Interests and other revenues	37,756	43,785	11,175
Net profit (Net loss)	1,415,608	(906,486)	1,733,592
Net profit (Net loss) per share diluted	0.01	(0.00)	0.01
<b>Statement of financial position (\$)</b>			
Cash and term deposits	2,531,099	1,289,470	2,550,474
Total assets	41,507,032	37,458,247	33,574,141
Decommissioning provisions for mining sites	5,851,259	5,911,000	5,939,350
<b>Mining exploration (\$)</b>			
Exploration and evaluation assets	7,941,199	7,416,692	7,023,883

### QUARTERLY INFORMATION (non-audited)

	2018 June	2017 June	2018 March	2017 March	2017 Dec.	2016 Dec.	2017 Sept.	2016 Sept.
<b>Statement of comprehensive income (\$)</b>								
Revenues	9,107,145	8,015,515	6,363,978	4,256,683	6,877,687	6,205,585	3,729,544	3,809,122
Interests and other revenues	1,168	2,250	846	2,531	742	2,558	766	1,492
Net profit (net loss)	152,471	1,039,392	752,208	186,215	784,748	(925,934)	(273,819)	(1,206,159)
Net profit (net loss) per share diluted	0.01	0.00	0.00	0.00	0.00	(0.00)	(0.00)	(0.00)
<b>Statement of financial position (\$)</b>								
Cash	2,531,099	1,289,470	2,681,181	1,107,671	3,346,810	3,331,463	1,133,193	1,776,442
Total assets	41,507,032	37,458,247	40,673,465	37,249,683	40,687,281	37,791,888	36,890,984	36,228,483
Decommissioning provisions	5,851,259	5,911,000	5,860,421	5,871,174	5,854,500	5,907,044	5,860,500	5,930,203
<b>Mining exploration (\$)</b>								
Exploration and evaluation expenditures net of credits and sale gold before January 1 <sup>st</sup> , 2016	111,155	59,506	90,875	97,254	229,998	168,990	75,296	39,343

## STRATEGY AND OUTLOOK

The Company is focussing its activities on the Elder mine production. A \$1M drilling program at depth is planned on the Elder property as soon as funds become available. The third and fourth levels will be developed to access new resources and existing drifts in the East portion of the mine on the fifth and sixth levels will be extended to increase the resources in this sector of the mine.

A calculation of resources (43-101) was recently done on the Sleeping Giant Mine. The measured and indicated resources are 486,000 tonnes with a grade of 11,2 g/t of gold. The Company is preparing a plan to repair the Sleeping Giant mine infrastructures and for the opening of stopes.

The sleeping giant mill is working normally. Recently Abcourt began custom milling operations. The objective is to use the full capacity of the mill, first to treat the mineralization produced by Abcourt and secondly to do custom milling.

Also, considering the very favourable zinc market and the exchange rate \$US to \$Can, we have accelerated our search for a formula to finance the development of the Abcourt-Barvue project with important silver-zinc resources. An update of the 2007 feasibility study is under way and will be finished in December 2018, the latest date allowed to maintain the mining concessions.

For the long-term, a drilling program of 7,000 meters is planned on Aldermac (base metal), Discovery and Flordin (very good gold potential).

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).

## STATEMENT OF COMPREHENSIVE INCOME (LOSS)

### Income

Our revenues consist essentially in the sale of gold and silver. For the 12-month period ended on June 30, 2018, sales of gold and silver totaled \$26,044,120. Expenses, including mining costs, royalties, amortization and depletion, were \$22,495,336. A gross profit of \$3,548,784 was made in 2018 (\$728,624 loss in 2017).

	2018	2017
	\$	\$
<b>EXPENSES AND OTHERS REVENUES WERE AS FOLLOW:</b>		
Part XII.6 taxes	-	634
Amortization of property, plant and equipment	4,945	11,480
Professional fees	120,392	180,478
Restoration of mining sites	-	6,888
Interest, penalties and bank expenses	196,699	336,910
Taxes, licences and permits	5,397	5,358
Advertising	11,994	5,517
Software and internet	7,280	4,417
Salaries and payroll charges	211,423	228,956
Insurance	8,997	11,981
Office expenses	91,889	29,589
Accretion expense	90,420	35,599
Shareholders and investor relations	86,009	69,046
Share-based compensation	-	582,000
	<u>835,445</u>	<u>1,508,853</u>
<b>PROFIT (LOSS) BEFORE OTHER REVENUES</b>	2,713,339	(780,229)
<b>OTHER REVENUES</b>		
Interest income	3,522	8,832
Other income	34,234	34,953
	<u>37,756</u>	<u>43,785</u>
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	2,751,095	(736,444)
Income taxes and deferred taxes	1,335,487	170,042
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<u><u>1,415,608</u></u>	<u><u>(906,486)</u></u>
<b>NET INCOME (LOSS) PER SHARE</b>		
<b>Basic and diluted</b>	0.01	(0.00)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
<b>Basic and diluted</b>	282,532,175	270,143,773

*Comments:*

A comparison between 2017 and 2018 indicates that the most important changes in expenses are explained by the following items.

In 2017, the re-assessment of tax credits by Revenue Quebec, for years 2011, 2012, 2013 and 2014 was accompanied by an expense of \$319,040 in interest costs. Interests are less important in 2018 because part of the capital of the debt was reimbursed.

In 2017, an amount of \$582,000 in share-based compensation was accounted for following the granting of options to officers and directors to replace expired options. In 2018, there were no similar expenses. In 2017, without considering the share-base compensation, the total expenses were \$926,853 compared to \$835,445 in 2018. The expenses decreased by 10% in 2018 compared to 2017. The decreased is mainly du to the interest, penalties and bank expenses.

The professional fees in 2018 were 33% lower than in 2017. Other elements of the expenses such as office expenses and the accretion expenses increased in 2018 but without affecting the total expenses significantly.

### **NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

The net income and comprehensive income for 2018 was \$1,415,608 compared to a loss of \$906,486 in 2017.

Net income per share was \$0.01 in 2018 compared to a net loss per share of \$0.00 in 2017.

### **SUMMARY OF FINANCIAL INFORMATION FOR THE FOURTH QUARTERS ENDING ON JUNE 30, 2018 AND 2017**

Results for the fourth quarters ending on June 30, 2018 and 2017, were as follows:

	<b>2018</b>	2017
	\$	\$
Sales of gold and silver	9,094,173	8,013,482
Cost of sale	<u>7,413,533</u>	<u>6,883,118</u>
<b>GROSS PROFIT</b>	1,680,640	1,130,364
<b>CHARGES</b>	279,423	(2,743)
<b>OTHER REVENUES</b>	13,986	4,283
Mining income and deferred income taxes	<u>1,262,732</u>	<u>97,998</u>
<b>NET INCOME AND COMPREHENSIVE INCOME (1)</b>	<u>152,471</u>	<u>1,039,392</u>

***Comments:***

**Net income and comprehensive income**

After taxes, a net income and comprehensive income of \$152,471, in 2018 and \$1,039,392 in 2017, were made in the fourth quarter. The increase in the mining income and deferred income taxes is due to a new assessment received from Revenue Quebec for 2016. Management of the Company is contesting this new assessment.

**Sales, costs of sales and gross profit**

As noted previously, our revenues come essentially from the sale of gold and silver.

For the fourth quarter of 2018, sales totaled \$9,094,173. The cost of sales, including royalties and write-offs but excluding taxes, was \$7,413,533, leaving a gross profit of \$1,680,640.

**Expenses**

In the fourth quarter of 2018, expenses were \$279,423. In the fourth quarter of 2017, the expenses showed a credit of \$2,743 as the cost of insurances for the Sleeping Giant mine and mill were reclassified as cost of sales in the 4<sup>th</sup> quarter. If this reclassification was excluded, expenses for the fourth quarter of 2017 would have been amounted to \$176,218.

**STATEMENT OF CASH FLOWS**

**Operating Activities**

During the financial periods ended on June 30, 2018 and 2017, the operating activities generated \$5,235,406 in 2018 and used \$850,981 in 2017.

**Financing**

In 2018, financing activities provided \$943,493 net of financing costs compared to \$2,902,750 net of financing costs in 2017.

**Investment**

Investing activities in 2018 and 2017 are compared as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Tax credit related to resources and mining duties received	8,788	84,487
Deposit for restoration of Elder mining site	-	(120,168)
Acquisition of property, plant and equipment	(4,427,383)	(3,010,905)
Acquisition of exploration and evaluation assets	(518,675)	(395,187)
	<u>(4,937,270)</u>	<u>(3,441,773)</u>

### ***Comments on Investment:***

Please note that some tax credits related to resources and mining duties were received, \$84,487 in 2017 and \$8,788 in 2018.

In 2017, a last deposit of \$120,168 was made for the restoration of the Elder mine site.

The acquisition of property, plant and equipment was made at the Elder mine site for a total amount of \$2,6M, mainly for the development and the rehabilitation of mine drifts. The purchased of equipment totaled \$295,976. At the Sleeping Giant site, the care and maintenance expenses of the mine totaled \$1,6M. The purchase of equipment, mostly for the mill totaled \$435,219.

In 2018, the cost of acquisition of exploration and evaluation assets was \$518,675 compared to \$395,187 in 2017.

### **Cash, end of period**

The end of year cash in 2018 was \$2,531,099 compared to \$1,289,470 in 2017. In 2018, the cash and receivables are higher than in 2017.

In 2018, receivables consisted mainly in amounts to receive from Auramet from the sale of gold and silver (\$1,257,558) at the end of the 4<sup>th</sup> quarter and sales taxes receivable (\$1,043,593). These receivables are considered liquid assets.

In 2018, if we consider the receivables from Auramet, the taxes receivable and the inventory of gold and silver ingots as at June 30, 2018 of \$1,125,770 (See note 6) available funds totaling \$5,958,020 are adequate to cover current needs. On June 30, 2018, current liabilities totaled \$5,946,706.

## **EXPLORATION AND EVALUATION ASSETS**

### **Mining properties**

During the 12-month period ended on June 30, 2018, the value of mining properties increased by \$11,351.

## Exploration and valuation assets

Details on exploration and valuation expenses are given in note 8 of the financial statements. See a summary below:

	Balance as of June 30, 2017	Addition	Tax credit related to resources	Tax credit related to resources	Balance as of June 30, 2018
	\$	\$	\$	\$	\$
Abcourt-Barvue, Qc	4,551,132	266,100	-	12,212	4,829,444
Vendôme, Qc	204,607	903	-	-	205,510
Aldermac, Qc	705,881	48,787	-	-	754,668
Discovery-Flordin, Qc	31,029	3,454	-	-	34,483
Dormex	-	182,428	(6,380)	-	176,048
Autres (% variable)	-	5,652	-	-	5,652
	<u>5,492,649</u>	<u>507,324</u>	<u>(6,380)</u>	<u>12,212</u>	<u>6,005,805</u>

The 2018 exploration and evaluation expenses totaled \$507,324 compared to \$365,093 in 2017.

## Details on exploration and valuation expenses

For the years ended June 30, 2018 and 2017, the following expenses, associated to the discovery of mineral resources, have been included in the cost of exploration and evaluation expenses.

	<b>2018</b>	<b>2017</b>
	\$	\$
Drilling	163,901	118,553
Assays	17,284	26,994
Electricity	18,834	14,446
Insurance, taxes and permits	8,760	5,445
Fees and engineers expenses	275,926	186,745
General exploration and evaluation expenses	<u>22,619</u>	<u>12,910</u>
Subtotal	<u>507,324</u>	<u>365,093</u>
Increase of exploration and evaluation expenses	507,324	365,093
Mining duty adjustment	-	6,868
Tax credit related to resources adjustment	12,212	-
Tax credit related to resources	(6,380)	(9,247)
Balance, beginning of year	<u>5 492 649</u>	<u>5,129,935</u>
Balance, end of year	<u><u>6 005 805</u></u>	<u><u>5,492,649</u></u>

## **Details on the two most important items of exploration and evaluation expenses for the year ended June 30, 2018:**

In 2018, the two most important items were:

Drilling	=	\$163,901
Fees and engineer expenses	=	\$275,926

## **STATEMENT OF FINANCIAL POSITION**

Total assets increased substantially from \$37,458,247 at June 30, 2017, to \$41,507,032 at June 30, 2018. This increase appears first in cash (+ \$1.2M) and secondly in property, plant and equipment (+ \$2.5M).

The current liabilities increased from \$9,796,631 in 2017 to \$11,797,965 in 2018. The increase is due mostly to the increase in the accounts payable and accrued liabilities (\$537,346) and the income taxes payable (\$1,404,442).

The increase of the income taxes payable is explained by the new notice of assessment received from Revenue Quebec for the years 2011 to 2014 and 2016. Revenue Quebec requests a reimbursement in part, or totally, of tax credits related to resources received by the Company for years 2011 to 2014 for an amount of \$1,466,680 plus interests totaling \$319,040. The Company has filed notices of opposition. In 2017, the Company has reimbursed \$880,000. An amount of \$906,054 is included in the amounts due to governments. Accounts payable and accrued liabilities are detailed in note 9 of the Financial Statements, at page 35. In 2018, the Company received from Revenue Quebec a new notice of assessment for the year 2016 for the amount of \$905,954 which includes an amount of \$119,582 in interests. The Company has filed a notice of opposition.

## **INCORPORATION, ACTIVITIES AND CONTINUITY OF EXPLOITATION**

Abcourt Mines Inc. was constituted by letters patent of amalgamation in January 1971 and continued its existence under Part 1A of the Quebec Companies Act in March 1981. 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, exploration and exploitation of mining properties in Canada. Its shares are trading on TSX Venture Exchange under the symbol ABI, on the Berlin Stock Exchange under the symbol AML-BE and on the 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.

These financial statements were approved by the Board of Directors on October 29, 2018.

## **BASIS OF PRESENTATION AND COMPLIANCE DECLARATION**

The current annual audited financial statements of Abcourt Mines Inc., were prepared by management in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the IASB and in accordance with IAS 34, *Interim Financial Reporting*.

For additional information concerning the accounting policies, please consult notes 2 and 3 of the annual, audited, financial statements dated June 30, 2018 (pages 9 to 26).

## **BASIS OF MEASUREMENT**

The financial statements have been prepared according to historical costs.

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS**

The Corporation provides information on its exploration and valuation assets in its financial statements for the twelve-month period ending on June 30, 2018.

The Corporation has no deferred expenses other than mining properties and deferred exploration and valuation assets.

The Corporation has no research and development expenses.

## **CONTRACTUAL OBLIGATIONS**

### **Long-term Debt**

The Company has no long-term debt.

### **Provisions for decommissioning mining sites:**

	<b>2018</b>	<b>2017</b>
	\$	\$
Balance, beginning of year	5 911 000	5,939,350
Changes to estimates	(150 161)	(63,949)
Accretion expense	90 420	35,599
Balance, end of year	<u>5 851 259</u>	<u>5,911,000</u>

The rate used to determine the future value is 2% (1.8% in 2017), while the rate reflecting the current market assessments used to determine the present value of the provisions varies between 1.91% and 2.06% (1.1% and 1.38% in 2017). The payments schedule was determined by taking into account the measured and indicated resources, the estimated annual production level and the estimated mine life. The changes to estimates was accounted for as property, plant and equipment.

The following table sets forth the estimated *undiscounted* cash flows of future retirement costs used in the calculation of the asset retirement obligations for the years ended June 30, 2018 and 2017:

	\$
Elder Mine	480,670
Sleeping Giant Mine	<u>5,370,214</u>
	<u>5,850,884</u>

The following table sets forth *discounted* provisions for decommissioning mining sites, for the years ending June 30, 2018 and 2017:

	<b>2018</b>	2017
	\$	\$
Elder Mine	479 259	492,000
Sleeping Giant Mine	<u>5 372 000</u>	<u>5,419,000</u>
	<u>5 851 259</u>	<u>5,911,000</u>

The closure cost of the Elder mine site has been revised and approved by the Quebec Ministry of Naturel Resources.

The closure cost of the Sleeping Giant mine has been revised. An important decrease in the restoration costs is expected and the \$1.3 M deposit, that had to be made previously, will probably be cancelled. We are waiting for an approval from the Quebec Natural Resources Ministry. The reduction in costs comes from the use of the Elder tailings with a high neutralizing power to cover the Sleeping Giant and the custom mineralization treated in the mill.

#### **Accounts payable and accrued liabilities**

	<b><u>2018</u></b>	<b><u>2017</u></b>
	\$	\$
Accounts payable	1,146,958	851,092
Royalties payable	903,438	837,386
Salaries and holidays payable	775,684	576,512
Due to Governments	<u>1,333,412</u>	<u>1,357,156</u>
	4,159,492	3,622,146

As explained previously, the amount due to Government is mostly a balance due on the reassessment of tax credits for the years 2011 to 2014 and the interest on that debt. See note 9 of the Financial Statements.

## **Royalties excluding mining tax**

<u>Property</u>	<u>Royalty</u>
Elder	2 to 3% NSR
Barvue	\$0.25 per short ton on former Barvue property and 1 to 1.5% NSR on some other claims
Vendome	2% NSR 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
Sleeping Giant	\$5.00 / tonne for 350,000 tonnes

## **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. Restoration expenses were \$6,888 in 2017 and \$36,002 in 2016.

## **OFF BALANCE SHEET ARRANGEMENTS**

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

## **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 (none are outstanding).

Unlimited number of subordinate class “A” shares, without par value, non-voting (none outstanding).

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

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

	2018		2017	
	Number	Amount \$	Number	Amount \$
<b>Balance, beginning of year</b>	276 678 219	42 131 970	247,080,719	39,518,223
Paid in cash (1)	2 690 000	182 250	25,490,000	2,261,347
Flow-through shares(2)	9 334 852	606 812	3,907,500	332,000
Warrants exercised (3)	-	-	200 000	20 400
<b>Balance, end of year</b>	<u>288 703 071</u>	<u>42 921 032</u>	<u>276,678,219</u>	<u>42,131,970</u>

As at June 30, 2018 and as at June 30, 2017, shares issued were fully paid.

- (1) Value of capital stock paid in cash is presented net of the fair value of warrants amounting to \$19,500 (\$262,453 as at June 30, 2017);
- (2) Value of flow-through shares is presented net of premium related to the sale of tax deductions amounting to \$186,650 (\$58,750 as at June 30, 2017);
- (3) As at June 30, 2017, the value of capital stock issued from the exercise of the share purchase options include an amount of \$6,400 which represent the fair value of the options exercised.

For more details regarding the issue of shares, warrants and options and comparatives with 2017, please see the Financial Statements from page 37 to 45.

**EARNING (LOSS) PER SHARE**

	2017 \$	2017 \$
Net income (loss) attributable to shareholders	1 415 608	(906,486)
Weighted average number of common shares outstanding - basic	282 532 175	270,143,773
Diluted effect of share purchase options and warrants	-	-
Weighted average number of common shares outstanding	<u>282 532 175</u>	<u>270,143,773</u>
Basic and diluted earnings (loss) per share	<u>0,01</u>	<u>(0.00)</u>

**Convertible securities**

None

### **Escrowed shares**

None

### **Subsequent event**

None.

### **Contingent liabilities**

For details on contingent liabilities, please see the Financial Statements on page 46.

### **Commitments**

As of the date of this report, there is no commitment, except for the restoration plans of the Elder and Sleeping Giant mine sites and the agreement with Auramet for the sale of gold and silver.

### **Related party transactions**

All details are given in the Financial Statements on pages 49 and 50.

## **FINANCIAL INSTRUMENTS**

### **Fair value**

Financial instruments recognized at fair value on the statements of financial position must be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurement, the fair value hierarchy levels are as follow:

Level 1: quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in level 1, that are either directly or indirectly observable;

Level 3: valuation techniques with significant unobservable market inputs.

The fair value of financial assets and financial liabilities were measured using Level 2 inputs in the fair value hierarchy.

Cash, receivables (excluding sales taxes to receive) the accounts payables and accrued liabilities (excluding salaries, payroll burdens and amounts due to governments) are accounted for with an approximative fair value considering their short term maturity.

Cash, receivables (excluding sales tax receivable) and accounts payable and accrued liabilities (excluding wages and benefits payable as well as due to governments), are accounted for at amounts approximating fair values due to the immediate or short-term maturities of these financial instruments

## **Exposure and management of risk**

The Company's activities are exposed to financial risks: market risk, credit risk and liquidity risk.

### **a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

The Company is exposed to the following three types of market risks: interest rate risk, commodity price risk and foreign currency risk.

#### **a-1 Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is also exposed to fluctuations of interest rates for its cash. The exposure to fluctuations of interest rates is not significant.

Interest rate movements may affect the fair value of the fixed interest financial assets. Because these financial assets are recognized at amortized cost the fair value variation has no impact on profit or loss.

The Company does not use financial derivatives to decrease its exposure to interest risk.

#### **a-2 Foreign currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exposure to currency exchange rates arises from revenues from the sale of precious metals and purchases that the Company carries out abroad. All of the Company's precious metal revenues are either earned in or based on U.S. dollars, while the majority of its operating costs are in Canadian dollars.

The price of gold is established in US dollars; to manage its exposure due to the fluctuation of the US dollar, the Company can occasionally enter into various types of foreign exchange contracts. During the year, the Company did not enter into any forward exchange contracts. At June 30, 2018 and 2017, assets and liabilities denominated in US dollars are not significant.

A sensitivity analysis was performed on net earnings and equity in regards to the US dollar/ Canadian dollar exchange rate. In assuming that all other variables being constant, a  $\pm 6\%$  (6% in 2017) change of the US dollar / Canadian dollar exchange rate for the reporting period ended June 30, 2018, would have had a  $\pm \$1,534,862$  ( $\$1,331,844$  in 2017) net earnings and equity impact.

The exchange rate changes have been determined based on the average market volatility in exchange rates in the preceding twelve months.

#### **a-3 Commodity price risk**

The Company's earnings are directly related to commodity prices as revenues are derived principally from the sale of gold. For its gold production, the Company can reduce its risk of a decrease in the price of gold through the occasional use of forward sales contracts and put and call options. The risk related to fluctuation of gold price is unchanged from the previous years. In 2018 and 2017, the Company did not enter into any hedging contracts for its gold production.

A sensitivity analysis was performed on net earnings and equity to movements in the price of gold. In assuming that all other variables being constant and taking into account the average

exchange rate for the corresponding year, a  $\pm 10\%$  in the average selling price of gold realized (\$US per ounce) for the reporting period ended June 30, 2018, would have had a  $\pm$  \$2,558,712 (\$2,271,078 in 2017) net earnings and equity impact.

#### **b) Credit risk**

Credit risk is the risk that a party to a financial instrument fails to discharge an obligation and causes the other party to incur a financial loss. Financial instruments which potentially expose the Company to credit risk mainly consist of cash and receivables. The carrying value of these financial instruments represents the Company's maximum exposure to credit risk and there has been no significant change in credit risk since prior year. The receivables are mainly Auramet account receivable following the sale of gold ingots at year end, as such the exposure to credit risk for the Company's receivables is considered low. The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Therefore, the Company does not expect any treasury counterparties to fail in respecting their obligations

#### **c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has sufficient financing sources. The Company establishes budgets to ensure it has the necessary funds to fulfill its obligations. Accounts payable and accrued liabilities are due in the next financial year. As at June 30, 2018, Company's liquidities amount to \$2,531,099 of which approximately \$657,971 is reserved for exploration and evaluation of mining projects. In addition, the Company's working capital is amounting to approximately \$2,328,548 as at June 30, 2018. Taking into account the available cash situation, management considers that the funds are sufficient to meet its financial liabilities and future financial liabilities from its commitments.

### **POLICIES AND PROCESSES FOR MANAGING CAPITAL**

As at June 30, 2018, the capital of the Company consists of equity amounting to \$29,834,067. The Company's capital management objective is to have sufficient capital to be able to meet its exploration and evaluation plan in order to ensure the growth of its activities. It has also the objective to have sufficient cash to finance its operations, the exploration and evaluation expenses, the investing activities and the working capital requirements.

There was no significant change in the Company's approach to capital management during the period ended June 30, 2018. The Company is subject to regulatory requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration and evaluation expenses. During the year, the Company has respected all of these regulatory requirements. Other than the use of funds obtained by flow-through shares financing, the Company is not subject to any externally imposed capital requirements.

## **SEGMENT INFORMATION**

The Company operates a gold mine in Quebec and has several exploration and evaluation properties in the area. These operating sites are managed separately. The Company assesses the performance of each segment based on earnings before taxes. Accounting policies for each segment are the same as those used for the preparation of the financial statements.

There was no difference in 2018 compared to the annual financial statements of 2017 on the basis of segmentation or the basis of evaluation of segment results.

## **MINING PROPERTIES**

Abcourt Mines Inc. owns the following properties:

- A gold mine in operation on the Elder and Tagami properties located near Rouyn-Noranda, Quebec, Canada;
- An advanced silver-zinc project on the Abcourt-Barvue and Vendome properties located at Barraute, near Val-d'Or, Quebec, Canada;
- The Aldermac property located near Rouyn-Noranda, Quebec, Canada, an underground mine with historical resources in copper – zinc – silver - gold.
- The Jonpol property located near Amos, Quebec, Canada with historical resources in copper – zinc – silver - gold.

Since June 17, 2016, Abcourt also owns the following properties in Abitibi, Quebec, Canada:

- The Sleeping Giant mine located half-way between Amos and Matagami, and a gold mill with a 700 to 750 tonnes per day capacity, an underground mine with NI 43-101 measured, indicated and inferred gold resources.
- Two properties at an advance stage of exploration and valuation, the Discovery and the Flordin properties, located near Quevillon, Quebec, Canada with measured, indicated and inferred gold resources previously reported that have not been checked by Abcourt and cannot be published.
- Several other properties.

Here is some information on each property:

### **THE ELDER MINE**

The Elder mine and the Tagami property are both owned 100% by Abcourt. These properties are conveniently located inside the mining community of Rouyn-Noranda, Quebec. These properties comprise 36 contiguous claims, two mining leases and a mining concession covering an area of 876 hectares. Royalties of 2% to 3% are payable 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. Mining equipment is available on the property and all the facilities are in place.

The ore in vein no. 1 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) in the mine and dipping on the average at 22° to the south-east, with the exception of the vein no 4 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 6th 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 metric 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 and almost all mining equipment was sold, except important pieces of equipment like the hoist, compressors and the electrical distribution system.

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. This report is available on SEDAR.

## **RESOURCES CALCULATIONS**

On April 19, 2018, two technical reports on the upper part (CM 363) and the lower part (BM 1045) of the Elder mine were filed on SEDAR. On April 25, 2018, The Company filed on SEDAR a Press Release outlining the results from these two technical reports and the results on the technical report on Tagami property filed in 2012. Under National Instruments 43-101, the Company has to file only one technical report which consolidates all three technical reports. Furthermore, the Elder mine fall into the definition of *advanced property* and, as such, the Company has to include an update of the preliminary economic assessment report (PEA) prepared by Roche, Consulting-group, in 2012.

### **Preliminary economic assessment (PEA) report prepared by Roche, Consulting-group, in 2012**

In 2012, based on the existing resources at that time, Roche Consulting-group prepared a preliminary economic assessment (PEA) report in 2012 to determine if additional surface exploration and valuation work was necessary to increase resources or to proceed with an underground exploration program. This report is available on SEDAR.

This study, prepared according to NI 43-101 by Roche, Consulting-group and some independent advisors, indicates that sufficient resources were available to justify an underground exploration and valuation program. The mine dewatering started in 2011.

Commercial production started on January 2, 2016.

## ELDER MINE



**Truck scale and shaft headframe**

### Table of resources and parameters used

As of May 31, 2018, mineral resources in the measured and indicated categories were as follows:

ZONE	MEASURED		INDICATED		MEASURED+ INDICATED		GOLD OUNCES (OZ)
	TONNES	GRADE	TONNES	GRADE	TONNES	GRADE	
	(metric)	(g/t)	(metric)	(g/t)	(metric)	(g/t)	
<b>ELDER</b>							
VEIN 1	32,607	5.09	159,502	6.91	192,109	6.60	40,755
VEIN 2	5,343	5.36	75,957	6.39	81,300	6.32	16,516
VEIN 3	0	0,00	15,321	6.27	15,321	6.27	3,088
VEIN 4	18,181	6.35	104,176	6.26	122,357	6.28	24,691
VEIN 6	0	0	52,739	6.53	52,739	6.53	11,077
<b>SUB-TOTAL</b>	56,131	5.52	409,695	6.57	463,826	6.45	96,126
<b>TAGAMI</b>	0	0,00	174,258	6.22	174,258	6.22	34,848
<b>TOTAL:</b>	<b>56,131</b>	<b>5.52</b>	<b>581,952</b>	<b>6.47</b>	<b>638,083</b>	<b>6.38</b>	<b>130,974</b>

### *Elder and Tagami Measured and Indicated Resources*

The technical parameters used for the calculation of measured and indicated resources were:

Density: 2.70 t/m<sup>3</sup>, minimum thickness: 1.8 m

Lower cutting grade = 3.45 g/t Au

Higher cutting grade = 31.1 g/t Au

The total measured and indicated resources for Elder and Tagami is 638 083 tonnes with a grade of 6,38 g/t Au.

In addition, the inferred resources total 547 746 tonnes with a grade of 5,48 g/t Au. See below:

CATEGORIES	INFERRED		GOLD OUNCES (Oz)
	TONNES (metric)	GRADE (g/t)	
<b>ELDER</b>			
VEIN 1	119,276	5.41	20,749
VEIN 2	75,051	5.70	13,755
VEIN 3	43,847	5.37	7,571
VEIN 4	102,169	7.89	25,920
VEIN 6	39,808	5.36	6,877
<b>SUB-TOTAL</b>	<b>380,251</b>	<b>6.12</b>	<b>74,872</b>
TAGAMI	167,495	5.48	29,510
<b>TOTAL:</b>	<b>547,746</b>	<b>5.93</b>	<b>104,382</b>

*Inferred resources*

The technical parameters used for the calculation of the inferred resources were the same as those used for the calculation of the measured and indicated resources.

Note: Presently, the inferred resources are not considered as measured and indicated resources. However, it is reasonably expected that the majority of the inferred mineral resources could be upgraded to measured or indicated mineral resources with continued exploration.

**UPDATE OF PRELIMINARY ECONOMIC ANALYSIS  
PREPARED BY ROCHE, CONSULTING-GROUP (2012)**

**Resources with a reasonable prospect for eventual economic extraction**

	MINERAL RESOURCES MEASURED AND INDICATED		RECOVERABLE MINERAL RESOURCES 85%		40% DILUTION		RESOURCES AS DESCRIBED ABOVE	
	TONNES	GRADE g/t	TONNES	GRADE g/t	TONNES	GRADE g/t	TONNES	GRADE g/t
MEASURED	56,131	5.52	47,711	5.52	19,084	0.0	66,795	3.94
INDICATED	407,695	6.57	346,541	6.57	138,616	0.0	485,157	4.69
TOTAL	463,826	6.45	394,252	6.32	157,700	0.0	551,952	4.51

Here is the CIM definition of resources:

“A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.”

### **General**

A preliminary economical analysis was prepared according to the net present value method. This method is built on the basis of a constant dollar. There is no provision for inflation nor for taxes to pay. The mine is presently in exploitation, without debt. The internal rate of return was not used in this report as the mine is operating and there is no initial investment. This update was prepared by Renaud Hinse, mining engineer. As resources did not increase by 100% or more, it was not necessary to have an independent person.

### **Hypothesis**

The hypothesis used are indicated in the table below. The sensitivity analysis is made for variations in the price of gold of plus and minus 10%.

#### *Hypothesis*

Description	Units	Value
Price	\$US / ounce	1,230
Exchange Rate	Cdn / US	1.30
Discount Rate	Annual %	8

### **Royalties**

The cost of royalties is already incorporated into operating costs.

## **Technical Hypothesis**

### Technical Hypothesis

Description	Units	Value \$
Recoverable measured and indicated resources	Tonnes	551,953
Annual rate of extraction	Tonnes / year	130,000
Life of mine	Years	4.25
Grade of mineralization	g/t Au	4.51
Gold recovery in mill	%	97
Net recoverable value	\$ Cdn/t	224.74
Annual gold production	Ounces	18,300
Ongoing capital costs	\$ Cdn/t	19.19
Total operating costs per tonne	\$ Cdn/t	191.24
Gold refining	\$ Cdn/oz	1.31

### **Financial model and results**

A summary of the technical hypothesis is given in the table above. A total revenue at the mine of \$124 M is expected, that is \$224,74 per tonne. Ongoing capital expenditures, necessary in the course of mining, is estimated at \$10,6 M, that is \$19,19 per tonne of recoverable measured and indicated resources.

Operating costs are \$191,24 per tonne for a total of \$105,4 M, including \$6,89 per tonne of royalties for a total of \$3,8 M. A working capital of about \$2,5 M is necessary to cover about one month of operation costs, but this amount was already available on June 30, 2018. The financial analysis shows a net cash flow of \$7,9 M before taxes and \$4,1 M after taxes. The net present value, discounted at 8%, is \$6,5 M before taxes and \$3,5 M after taxes.

## Summary of project evaluation

Description	Evaluation base \$ Cdn
Total mine revenue	124,000,000
Ongoing capital expenditures	10,600,000
Total operating expenses including royalties	105,600,000
Net cash flow before taxes	7,900,000
Net cash flow after taxes	4,200,000

### *Taxes and income taxes*

The Elder mine is subject to provincial and federal income taxes and Quebec mining taxes. The income tax is calculated according to the federal and provincial tax legislations. The federal income tax is 15%. The provincial income tax varies as follows:

- 2017                    11.8 %
- 2018                    11.7 %
- 2019                    11.6 %
- 2020                    11.5 %

The Quebec mining tax is calculated according to the Quebec Mining tax Law modified in 2014. According to the new Law, a producer has to pay a minimum progressive rate determined by the value of production at the shaft collar and a progressive mining tax on annual profits. The new mining tax on annual profits is calculated with a progressive rate of 16% to 28%, (replacing the single rate of 16% with the previous Law), determined according to the profit margin of the operator:

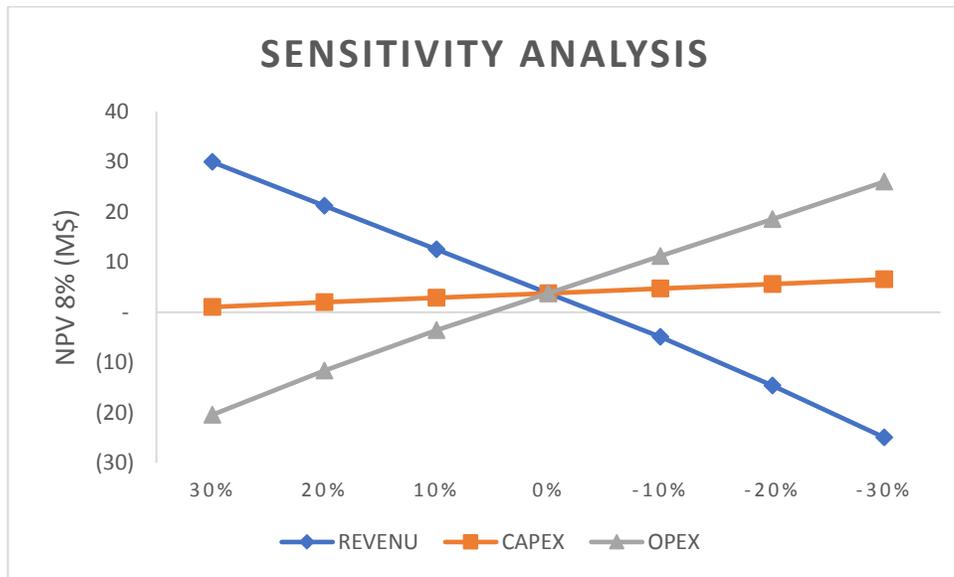
- Up to 35% profit margin                    16%
- From 35% to 50% profit margin           22%
- From 50% to 100% profit margin        28%

It is obvious that according to the new Law, an enterprise with a high rate of profit will pay a higher mining tax.

The minimum progressive mining tax corresponds to 1% of the first \$80 M of the value of production at the shaft collar and 4% of the value of production at the shaft collar exceeding \$80M.

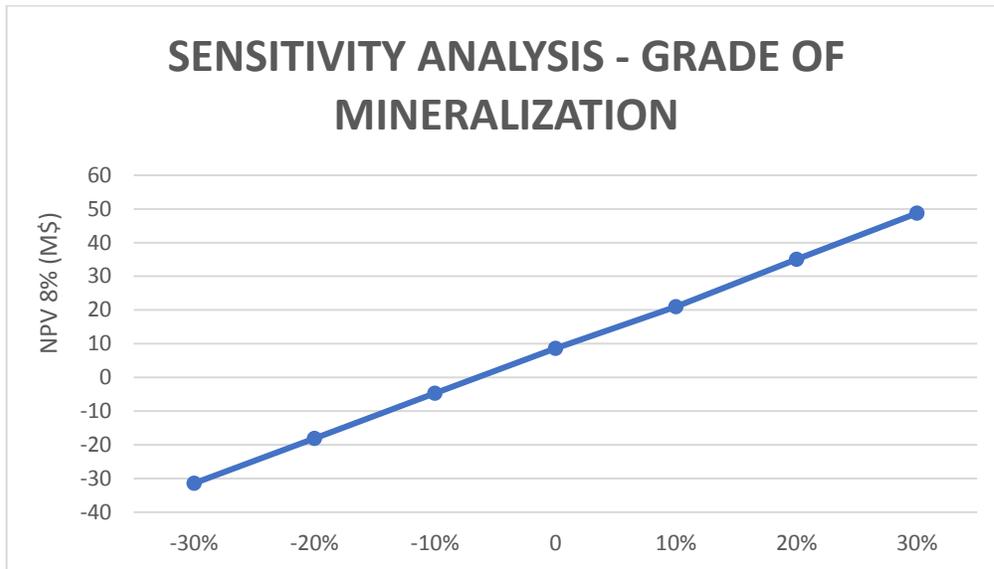
### Sensitivity analysis

A sensitivity analysis was done, based on the economical and technical hypothesis presented in preceding sections to estimate the impact of variations in capital expenditures, operating costs and the price of gold on the net present value, discounted at 8%. Each variable is analysed separately. The analysis was made for variations of 10% for each item.



According to the analysis made, the net present value is not affected greatly by an increase or a decrease in the capital cost. In fact, the capex line is almost horizontal. This indicates that variations of this item have little effect on the net present value. The proportion of the capital cost (less than 1%), compared to all the other costs, is not important and that explains the fact that a variation in costs has a low impact on the present value. The latter is more sensitive to operating costs and the price of gold.

The net present value is equally sensitive to the grade of the ore. An increase of 10% of grade, that is to 5 g/t of gold would increase the net cash flow, before taxes by \$15 M, and would give a present value of about \$11.9 M. During the latest quarter of the 2018 fiscal period, from April to June, the average grade of the mineralization was 4,81 g/t of gold. Our objective, for the next months, is to have 5,0 g/t of gold at the mill.



This graph and the previous one show important variations in the grade of mineralization, the price of gold and operating costs. Actual variations might be less accentuated.

#### Comparable table of the fourth quarters and the 2017 and 2018 periods

Description	3 months June 30, 2018	3 months June 30, 2017	12 months June 30, 2018	12 months June 30, 2017
Tonnes treated	30,647	23,277	113,398	98,153
Tonnes extracted	32,466	24,041	114,475	97,425
Gold ounces sold	5,409	4,779	15,683	13,322
Gold ounces produced	4,601	3,774	15,380	13,405
Gold recovery	97.10 %	97.58 %	96.90 %	95.70 %
Revenues from the sale of gold and silver	9,094,173 \$	8,013,483	26,044,120 \$	22,251,954 \$
Price of gold sold (\$/ounce)	1,681	1,677	1,661	1,650
US\$	1,288	1,262	1,311	1,249
Average cash production cost (\$/ounce)	1,264	1,385	1,322	1,513
US\$	968	1,043	1,044	1,145
Cost needed to maintain production (\$/ounce)	124	88	241	300
US\$	95	66	190	227
All inclusive cost of production (\$/ounce)	1,388	1,473	1,563	1,813
US\$	1,064	1,109	1,253	1,372
Gold and silver stock ready to be sold	60,900 \$	32,652 \$	60,900 \$	32,652 \$
Gold and silver inventory in circuit	1,064,870 \$	1,497,364 \$	1,064,870 \$	1,497,364 \$
Total Inventory	1,125,770 \$	1,530,016 \$	1,125,770 \$	1,530,016 \$
Net profit (loss) after taxes	152,471 \$	1,039,392 \$	1,415,608 \$	(906,486) \$
Mining tax	1,262,732 \$	107,135 \$	1,402,850 \$	225,427 \$
Deferred taxes	(18,000) \$	(9,137) \$	(67,363) \$	(55,385) \$
Cash flow from operations	829,212 \$	593,582 \$	5,235,406 \$	(850,981) \$
Cash at the end	2,531,099 \$	1,289,470 \$	2,531,099 \$	1,289,470 \$

### ***Comments:***

In the 4<sup>th</sup> quarter, tonnes treated in 2018 were 32% higher than those treated in 2017.

Likewise, if we compare statistics for the 2017 and 2018 annual periods, a substantial improvement is obvious.

• Tonnes treated	• + 15,5%
• Gold ounces produced	• + 14,7%
• Proceeds from sale of gold and silver	• + 17,0%
• Average cash cost of production	• - 14%
• All inclusive production cost	• - 15,9%
• Net profit (net loss)	• 2018 = 1,4 M\$; 2017 = (0,9 M)\$
• Cash flow from operations	• surplus of 5,2 M\$ in 2018 • deficit of 0,8 M\$ in 2017
• Cash at the end	• 2,5 M\$ in 2018 • 1,3 M\$ in 2017
• Mining Taxes	• 1,4 M\$ in 2018 • 0,2 M\$ in 2017

The Quebec mining taxes are inflated by a new assessment of the 2016 period. If we had not received this new assessment, the 2018 results would have been very good.

### **Non-GAAP Financial Performance Measures**

This management's discussion and analysis presents certain financial performance measures, total cash costs per ounce of gold produced, sustaining costs and all-in sustaining costs per ounce of gold produced which are non-International Financial Reporting Standards (IFRS) performances measures. This data may not be comparable to data presented by other gold producers. Non-GAAP financial performance measures should be considered together with other data prepared in accordance with IFRS.

The cash costs and all-in sustaining costs are common performance measures in the gold mining industry. The Company reports cash cost per ounce based on ounces produced. Cash cost include operating mining costs, royalties but is exclusive of amortization and depletion and sustaining capital expenditures. The all-in sustaining costs include costs of sales and sustaining capital expenditures and administrative costs but excludes amortization and depletion and accretion expenses. The Company believes that the all-in sustaining costs present a complete picture of the Company's operating performance or its ability to generate free cash flows from its operation.

## **ACQUISITION OF THE SLEEPING GIANT MINE AND MILL**

On June 17, 2016, Abcourt completed the acquisition of the Sleeping Giant mine and mill and several other properties with excellent showings of gold.

Sleeping Giant mine and its mill (the “Property”) is located half way between Amos and Matagami, in Abitibi, Québec, in the territory covered by the Plan Nord of the Quebec government. The property was acquired from Deloitte Restructuring Inc, acting solely as court-appointed receiver (the “Receiver”) for the Aurbec Mines Inc’s assets. The purchase price was \$2,548,727.

Among the assets that Abcourt has acquired, there is a mill with a capacity of 700 to 750 tonnes of ore per day, or 250,000 tonnes per year. This capacity is adequate to treat the Elder and the Sleeping Giant production. The process is carbon in pulp. There are also installations to deposit the mill tailings, underground infrastructures including two shafts and drifts, a mechanical shop, offices, a store, dries and mining equipment, surface installations, an important inventory of parts, five (5) mining leases and forty (40) adjacent cells and several other exploration properties.

We started lately to treat custom ore or mineralisation. A larger volume of material treated will reduce the unit operating costs of the mill.



Surface plant of the Sleeping Giant mine

## Resources

A new calculation of 43-101 resources was recently prepared by Jean-Pierre Bérubé, engineer in geology. The latter is a qualified independent person with a pertinent experience in this domain.

A summary of Measured, Indicated and Inferred Resources is presented in the following table:

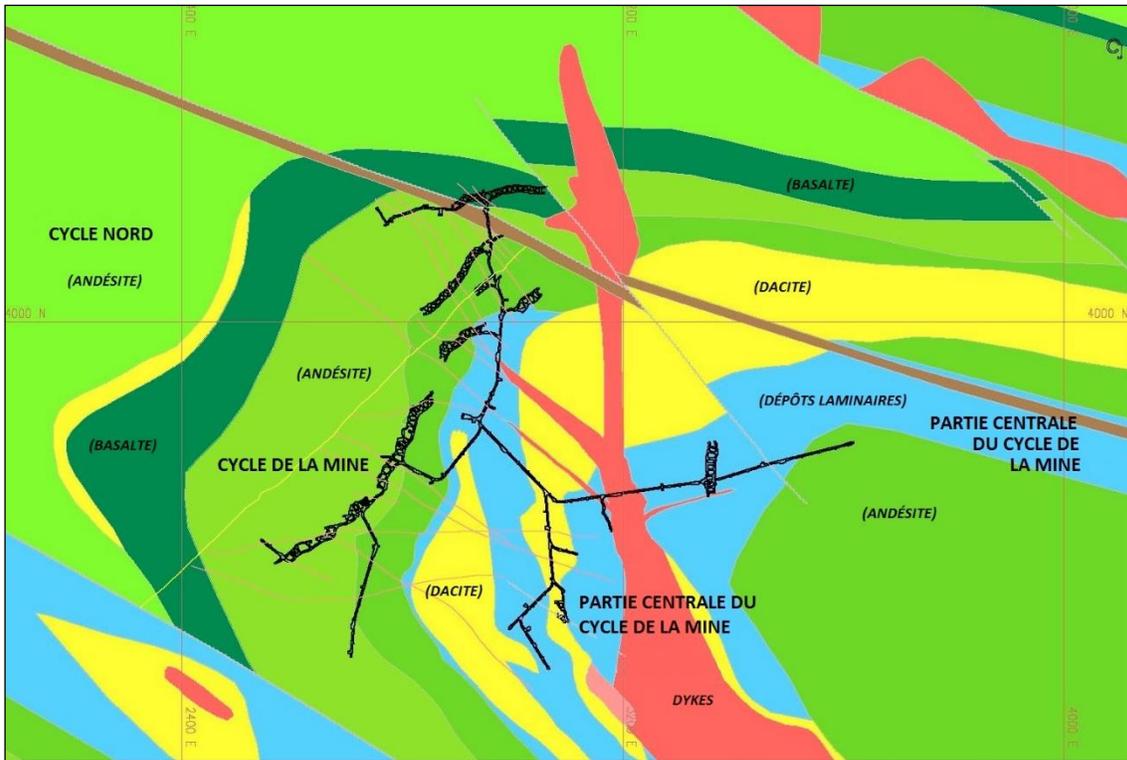
ZONE	MEASURED		INDICATED		MEASURED + INDICATED		INFERRED	
	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)
J			46,802	9.88	46,802	9.88	13,806	5.70
D			37,920	8.64	37,920	8.64	10,948	9.60
2			5,447	13.28	5,447	13.28	1,280	7.80
3			40,510	9.54	40,510	9.54		
6			15,434	8.60	15,434	8.60	18,483	16.64
7			31,199	1.42	31,199	10.42		
8			3,350	6.26	3,350	6.26	3,627	9.87
8 Sig			18,434	9.59	18,434	9.59		
8N	2,993	15.50	11,368	10.44	14,361	11.49		
9			12,297	7.08	12,297	7.08		
15			15,664	13.86	15,664	13.86	13,619	8.07
16			15,816	11.10	15,816	11.10	22,165	15.36
18			9,497	14.33	9,497	14.33	2,096	10.80
20			9,763	10.79	9,763	10.79		
30			8,418	10.09	8,418	10.09		
30 Parc			4,981	10.70	4,981	10.70		
30FW			6,155	8.43	6,155	8.43		
30HW			2,303	6.46	2,303	6.46		
30W			31,532	13.29	31,532	13.29	4,324	14.50
30 Shadow			26,120	8.89	26,120	8.89		
50	2,020	6.93	10,182	10.67	12,202	10.05	1,434	13.40
78H	5,902	12.28			5,902	12.28	1,290	7.00
785N			112,440	14.27	112,440	14.27		
Total	10,915	12.17	475,633	11.17	486,548	11.20	93,073	0.00
<b>Rounded</b>	<b>10,900</b>	<b>12.20</b>	<b>475,625</b>	<b>11.20</b>	<b>486,500</b>	<b>11.20</b>	<b>93,100</b>	<b>11.85</b>

### *Summary table of mineral resources as estimated in 2018*

#### **Calculation criteria used:**

- Cut-off grade of 6.5 g/t Au. Some polygons under this cut-off grade were included to ensure the continuity of the zones,
- Price per ounce of gold at US \$ 1,225 (3 years average) and an exchange rate of US \$ 1 = 1.20 Can \$,
- Maximum content: 60 g/t Au for core samples and 55 g/t Au for chip samples. A grade of 32 g/t Au was applied for the polygons generated by the 2013-2014 drilling.
- Specific Gravity: 2.85 g/cm<sup>3</sup> as used in previous resource estimates,
- Resources were evaluated from diamond drill samples and face samples using the polygon method applied to inclined longitudinal sections,
- The minimum true thickness of the veins is calculated from its dip; 1.6 metre for veins having more than 50° and 1.8 metres for those having less than 50°,
- The vein content is determined by the drilling intersection and the content of the adjacent material to meet a minimum thickness of 1.6 or 1.8 metre,

- One Troy ounce = 31.1035 grams. The metric system was used for these calculations (metres, tonnes and grams/tonne),
- Calculated tonnes have been rounded to the nearest hundred. Differences in the calculation total are due to rounded figures as recommended by NI 43-101,
- ICM definitions and guidelines were used for this resource calculation.



**Plan view of level 665 showing drifts and cross-cuts in known mineralized areas and the geological context**

## **ABCOURT-BARVUE PROJECT**

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 103 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.

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. Subsequently, various alternatives were considered to improve the profitability of this project.

An update of the feasibility study is currently being done.

### ***Resource calculation and feasibility study 2006 - 2007***

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 77% 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 1,750 tonnes per day for a total of 650,000 tonnes per year.

The amount needed for the opening of the Abcourt-Barvue mine, according to the scenario proposed in the 2006 feasibility study, is \$71M, including working capital. However, we have assessed several other scenarios since that time (not 43-101) with costs between \$46M and \$70M. Before starting this project, 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.

### ***New resources calculations in 2014***

A 43-101 report on the Abcourt-Barvue resources was prepared by Mr. Jean-Pierre Bérubé, engineer and independent consulting geologist with pertinent experience in this field. This report indicates an increase in indicated and inferred resources in comparison with those of 2006. This report was filed on SEDAR. Here is a comparative table of resources in all categories:

***Table 1. 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
M + I	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 remain unchanged, it is estimated that 77% of the measured and indicated resources will 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 measured resources are generally extending from surface to a maximum depth of 165 meters. The indicated resources are generally located in the immediate extensions of the measured blocks from elevation -125 to -300 meters.

### **Forward-looking statement**

The zinc stocks on the London Metal Exchange have been decreasing rapidly lately and the price of zinc is increasing. The exchange rate of the CAN/US dollars is favourable. The possibility of starting the development of the Abcourt-Barvue project in the coming year looks good.

## **THE DISCOVERY PROJECT**

The Discovery project has 166 cells with a total area of 4,071 hectares. The property is located about 30 km to the north-west of Lebel-sur-Quévillon, Québec. The gold at Discovery is found in quartz-carbonate veins in a deformed and metamorphosed gabbro. The latest calculation of historical resources was made by InnovExplo in 2008. A significant gold mineralization is indicated. As these resources are not considered current by Abcourt, the Company is therefore prohibited under Canadian Securities regulations to publish them.

After the 2008 calculations by InnovExplo, NAP drilled 58 additional holes totaling 32,788.7 meters.

In 2010, North American Paladium (NAP) drilled 40 additional holes totalling 25,481 meters (G.M. 67103) covering sections 900 to 1600E. The A, B and C zones were intersected in what appears to be a network of quartz veinlets containing 3 to 8% pyrite and pyrrhotite in equal amounts. Some good values were intersected in zones A (B-10-197, 5.81 g/t of gold aver 3.2 m, B-10-198, 4.36 g/t of gold over 11.6 m, B-10-199A, 4.35 g/t of gold over 3.0 m) and C (B-10-178, 10.7 g/t of gold over 4.56 m, 4.00 g/t of gold over 4.5 m). True width is about 70% of core length.

In 2011, NAP drilled 18 holes totaling 7,307.7 meters (GM 67614) on sections 300 to 1500E. Zones A and B were cut over lengths of approximatively one meter B-11-195: 24.5 g/t gold / 1.1 m; B-11-200: 46.0 g/t of gold / 1.0m; B-11-207: 54.4 g/t of gold / 1.0 m: and rarely over more than 3.0 meters, B-11-192: 5.21 g/t of gold over 7.1 m; B-11-200: 48.1 g/t of gold / 4.5 m.

An update of resources is clearly justified, considering the numerous intersections obtained by the 2010 and 2011 drilling campaigns. In addition, the 2011 drilling intersected high gold values in the 1200E zone. This zone is open laterally and at depth. The drilling pattern has to be reduced to increase the level of reliability in certain parts of the Discovery zone which extends more than 2 km long.

The Discovery gold mineralization appears to be important and the possibility of finding an orebody is good. In the Fall of 2018, we are planning to drill 13 holes at a depth of about 100 meters.

## **FLORDIN PROJECT**

The Flordin property is located approximately 25 km to the north of Lebel-sur-Quévillon. It consists of 25 cells covering 149 hectares. In 1987 – 1988, an access to the B zone mineralization with a ramp permitted the extraction of two bulk samples. The milling of these bulk sample at the Bachelor Lake mine gave the following results:

5,174 tonnes with a grade of 2.51 g/t of gold in 1987  
4,053 tonnes with a grade of 4.25 g/t of gold in 1988

In 2011, the project was re-assesses by Cadiscor with an open pit plan. Again, the Company is prohibited to publish these results.

A total of 157 additional holes were drilled subsequently. Any future work at Flordin should include an update of the mineral resources. In its February 2013 report (GM 67662), NAP reports several intersections with values higher than 5 g/t of gold between the Flordin and the Cartwright zones. These new intersections will add some tonnage to the resources calculated by InnovExplo.

## **THE VENDOME PROPERTY**

The Vendome property is located 11 kilometres (seven miles) south of the Abcourt-Barvue property. It comprises 20 cells and 39 claims for a total of 2,426 hectares owned 100% by Abcourt.

In the 1950's, an 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 Mogador batholith found some gold values.

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

In 1998, the Company drilled nine holes for a total of 1,505 meters (4,936 feet) in the Barvallée 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 Vendome resources:

<b><u>Category</u></b>	<b><u>Tonnes</u></b>	<b><u>Grade</u></b>			
		<b><u>Au</u></b> <b><u>g/t</u></b>	<b><u>Ag</u></b> <b><u>g/t</u></b>	<b><u>Cu</u></b> <b><u>%</u></b>	<b><u>Zn</u></b> <b><u>%</u></b>
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	712,222	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>

No significant expenditure was done on this property during the 12-month period ending on June 30, 2018.

The development of this property will be synchronized with the development of the Abcourt-Barvue project.

The potential to make new discoveries on this property is very good and additional drilling is well justified.

## **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:

<b><u>Description</u></b>	<b><u>Short tons</u></b>	<b><u>Cu %</u></b>	<b><u>Zn %</u></b>	<b><u>Ag oz/t</u></b>
<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.

### **Drilling in October 2015**

During the month of October 2015, a 360-meter hole was drilled to localize a mineralized zone, without success.

### **Drilling in 2017**

In December 2017, one 354-meter hole was drilled without any significant values, but the geology looks good.

Additional work will be done to find the extension of the base metal mineralization.

## **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.

Several significant gold, silver, copper and zinc 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.

Aur Resources, with whom we had negotiated the first agreement, was amalgamated with Teck-Cominco Limited.

The royalty payable on any future production was sold by Teck to Osisko Royalties.

No expenditure in the 2015 to 2017 period was made.

During the 2015 - 2017 period, no work was done on this property.

## **OTHER PROPERTIES**

### **Cameron Shear**

The Cameron Shear property is located between the Discovery and Flordin. It is owned jointly with Canadian Royalties. The property is located 30 km to the north of Lebel-sur-Quévillon. Various exploration programs over the past 40 years have found a few showings of gold. The most interesting showing is the Riocanex zone which is probably an extension of the Flordin zone. The NAP participation (possibly 50%) in the Cameron Shear zone was sold to Maudore (Aurbec) on March 23, 2013, hence Abcourt has a participation in that project. According to the agreement realized in 2006 between Cadiscor and Canadian Royalties (C.R.), if the participation of a participant is reduced to less than 10%, a 2% royalty is given and will apply to any future production. The buy-back of 1% of this royalty may be realized with a payment of \$1M.

### **Laflamme (gold)**

The Laflamme project is located approximately 30 km to the west of the town of Lebel-sur-Quévillon, in Abitibi, Québec. The property consists in 472 cells covering an area of approximately 24,716 ha held jointly with Midland Exploration Inc. which does some work every year. A new gold discovery was made in hole La-11-11 which gave 9.7 g/t of gold over 1.0 meter. In July 2011, Aurbec won a 50% participation in the property but it has not contributed to any exploration work done after December 2012. Consequently, Midland now owns 68.5% and Abcourt owns 31.5% of the project and it does some exploration work every year. According to the initial agreement with Cadiscor, if a participant is reduced to 10%, a 2% royalty will be applied to any future production from the property. The buy-back of 1% royalty may be made with a \$1.5M payment.

### **Dormex (gold)**

The Dormex property lies to the south-east of the Sleeping Giant mine. The property is made up of 68 cells covering an area of 6,189 hectares. In 2010, 4,206 meters were drilled by North American Palladium (NAP) in a reverse circulation program combined with a ground and an aerial survey to generate gold targets in an area often covered with glacial sediments more than 40 meters thick. Good gold values were found in some surface diamond drill holes. Additional drilling is justified.

In December 2017, four holes were drilled for a total of 1,403 meters. No significant value was intersected but more drilling is planned in order to evaluate the property. Some holes will be drilled in 2018.

### **Veza (gold)**

In 2009 and 2010, Abcourt has acquired by staking 26 cells totalling 736 hectares in Veza Township, Quebec. This property covered about 8 km along the Casa Berardi-Douay-Cameron deformation zone where several gold occurrences have been reported in the past.

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

During the period ending on June 30, 2013, the Company decided to write-off the value of the exploration and valuation expenses. In the 2014 - 2017 period, several cells were abandoned.

This property is adjacent to the Veza mine where some values were obtained in recent drilling near our property.

## **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 mineralization 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 evaluation 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, development and exploitation 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, engineers 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.

**CERTIFICATE**

This management's discussion and analysis has been examined by the Audit Committee and approved by the Board of directors of the Company.

(s) Renaud Hinse

Renaud Hinse  
Chief Executive Officer

October 31, 2018

(s) Christine Lefebvre

Christine Lefebvre  
Interim Chief Financial Officer

October 31, 2018