



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**For the 3<sup>rd</sup> quarter ended on March 31, 2019**

**ABCOURT MINES INC.**

ABCOURT MINES INC.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED ON MARCH 30, 2019**

This management’s discussion and analysis provides an analysis of our exploitation and exploration, evaluation and results of our financial situation which will enable the reader to evaluate important variations in exploration, evaluation and exploitation results and in our financial situation for the quarter ended March 31, 2019, in comparison with the same period of the previous year. This report supplements our audited financial statements and should be read in conjunction with our financial statements and the accompanying notes of June 30, 2018. Our financial statements are 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, evaluation 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 and valuation of mining properties with a view to commercial production. On March 31, 2019, the Company was exploiting the Elder mine. The current Company’s portfolio of 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 SECOND QUARTER ENDED ON DECEMBER 31, 2018.

The Elder mine was in continual production during the 3<sup>rd</sup> quarter, except for a few interruptions caused by a power shut down and some mechanical failures. During this quarter, we have not treated custom ore in our Sleeping Giant mill but we did some assays for outside clients. We have received a certificate of authorization to treat ore from another client.

The revenues from the sale of gold and silver for the 2019 third quarter totaled \$5,745,611. In 2018, for the same period, the revenues totaled \$6,360,000. The value of assets increased from \$41.5 M in 2018 to \$43.4 in 2019.

At the Elder mine, the development of the 4<sup>th</sup> level started in the 2<sup>nd</sup> quarter. This drift will give access to potentially exploitable resources. The extension of a drift to the West, on level 9, has exposed a new vein over a distance of 22 m giving a grade of 11.948 g/t Au over a width of 0.83 m (2.7').

### 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	2,679,474
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)

	2019 March	2018 March	2018 Dec.	2017 Dec.	2018 Sept.	2017 Sept.	2018 June	2017 June
<b>Statement of comprehensive income</b>	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	5,979,127	6,363,978	6,988,852	6,877,687	5,346,880	3,729,544	9,107,145	8,015,515
Interests and other revenues	513	846	3,590	742	836	766	1,168	2,250
Net profit (loss)	1,417,794	752,208	236,614	784,748	970,982	(273,819)	152,471	1,039,392
Net profit (loss) per share diluted	0.00	0.00	0.00	0.00	0.00	(0.00)	0.01	0.00
<b>Statement of financial position</b>								
Cash	1,637,377	2,681,181	3,085,311	3,346,810	2,489,744	1,133,193	2,531,099	1,289,470
Total assets	43,381,331	40,673,465	42,919,331	40,687,281	42,436,244	36,890,984	41,507,032	37,458,247
Decommissioning provisions	4,189,532	5,860,421	4,113,801	5,854,500	5,854,242	5,860,500	5,851,259	5,911,000
<b>Mining exploration</b>								
Exploration and evaluation expenditures net of credits and sale gold before January 1 <sup>st</sup> , 2016	82,012	90,875	695,714	229,998	135,144	75,296	111,155	59,506

## **STRATEGY AND OUTLOOK**

The Company is focussing its activities on the Elder production. Level 4 to the East and level 9 to the West are currently being developed to have access to new resources. Also, drifts on the 5<sup>th</sup> and 6<sup>th</sup> levels will be extended to the East to increase our resources in that area.

A calculation of resources (43-101) was recently done on the Sleeping Giant mine. The measured and indicated resources are 486,500 tonnes with a grade of 11,20 g/t of gold. See press release dated September 2018. The Company is preparing a plan to repair the Sleeping Giant mine infrastructures, to open stopes and to prepare an economic evaluation.

An update of the Elder 43-101 resources, with an economical analysis, was completed lately. See press release dated October 20, 2018.

In the 2<sup>nd</sup> quarter, Abcourt treated some custom ore. 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 was completed in January 2019. See press release dated February 8, 2019.

For the long term, a 7,000-meter drilling program was done on Aldermac (base metal), Discovery and Flordin (very good gold potential) properties during the second quarter. See press release dated March 20, 2019.

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)**

Our revenues come mainly from the sale of gold and silver. In the 3<sup>rd</sup> quarter, ended on March 31, 2019, the sale of gold and silver totaled \$5.7 M, compared to \$6.4 M in 2018. This drop in production revenues was compensated by a reduction of expenses.

The costs of sales, including mining extraction, royalties and amortization totaled \$4.2 M in 2019 compared to \$5.4 M in 2018.

The gross profit for the third quarter was \$1,545,254 in 2019 compared to \$982,130 in 2018. For the first three quarters, the gross profit was \$2.6 M in 2019 compared to \$1.3 M in 2018.

## Charges, other revenues, income and number of shares:

	2019		2018	
	3 months	9 months	3 months	9 months
<b>Charges</b>	\$	\$	\$	\$
Part XII.6 & III.14 taxes	4,512	4,512	-	-
Professional fees	37,118	140,287	13,936	102,353
Interest and penalties	49,914	54,105	28,929	47,919
Taxes, licences and permits	473	1,435	1,786	4,285
Advertising	1,471	3,880	2,579	9,494
Software and internet	711	1,056	5,723	7,142
Salaries and payroll charges	23,373	145,604	55,904	158,726
Insurance	2,987	8,870	2,507	6,463
Office expenses	17,231	61,283	26,342	72,596
Accretion expense	19,020	39,409	21,089	63,349
Shareholders and investor relations	40,806	76,043	22,566	58,590
Share-based compensation	-	32,000	-	-
Bank expenses	3,893	5,429	780	3,240
Other expenses	44,363	752,649	-	-
Amortization of property, plant and equipment	2,017	6,051	1,237	3,711
	<u>247,889</u>	<u>1,332,613</u>	<u>183,378</u>	<u>537,868</u>
<b>Income before other revenues</b>	<u>1,297,365</u>	<u>1,591,645</u>	<u>798,752</u>	<u>1,330,276</u>
<b>Other revenues</b>				
Interest income	513	4,939	846	2,354
Other income	233,516	1,203,906	3,978	21,262
	<u>234,029</u>	<u>1,208,845</u>	<u>4,824</u>	<u>23,616</u>
<b>Income before income taxes</b>	<u>1,531,394</u>	<u>2,800,490</u>	<u>803,576</u>	<u>1,353,892</u>
Income taxes and deferred taxes recovery	113,600	175,100	51,368	90,755
<b>Income and comprehensive income</b>	<u>1,417,794</u>	<u>2,625,390</u>	<u>752,208</u>	<u>1,263,137</u>
<b>Income per share</b>				
Basic	0.00	0.01	0.00	0.00
Diluted	0.00	0.01	0.00	0.00
<b>Weighted average number of shares outstanding</b>				
Basic		290,845,486		285,365,897
Diluted		292,278,486		285,365,897

**Comments:**

In 2019, for the 3<sup>rd</sup> quarter ended on March 31, charges were \$247,889 compared to \$183,378 in 2018. The increase was in other charges, mainly assays done for clients, professional fees, interests and penalties. For the nine-month period, the main increase, as noted in the second quarter report, was in other charges related to assaying and milling ore for clients.

**Income and comprehensive income (9 months)**

In 2019, for the first three quarters, the income and comprehensive income was \$2.6 M. In 2018, it was \$1.3 M, hence an important improvement in 2019 compared to 2018.

The income per share in 2019 was \$0.01, compare to \$0.00 in 2018.

**CASH FLOW FOR THE NINE-MONTH PERIOD ENDED ON MARCH 31, 2019 AND 2018**

**Operating activities (9 months)**

For the first three quarters terminated on March 31, 2019, the operating activities generated a surplus of \$4,044,219. In 2018, it was \$2,458,338.

**Financing activities (9 months)**

Financing in 2018 and 2019 were mainly the issue of non-flow-through shares and flow-through shares. An amount of \$798,313 was received in 2019 and \$943,493 in 2018.

**Investment**

Investing activities compare as follows:

	<b>March 31, 2019 9 months</b>	<b>March 31, 2018 9 months</b>
	<b>\$</b>	<b>\$</b>
Tax credits received	-	8,788
Deposit for restoration of Elder mine	(16,900)	-
Acquisition of property, plant and equipment	(2,966,037)	(3,561,808)
Acquisition of exploration and evaluation assets	(927,524)	(404,956)
	(3,910,461)	(3,957,976)

## **Comments on investments, nine-month period ending on March 31, 2019**

In 2019, the acquisition of property, plant and equipment for the Elder mine costed \$1,695,409 mainly for new drifts and the rehabilitation of old drifts.

At the Sleeping Giant site, the purchase of milling equipment totaled \$207,141. The standby cost of keeping the Sleeping Giant mine de-watered was \$928,386.

In 2018, the acquisition of property, plant and equipment costed \$3.6 M. The acquisition of exploration and evaluation assets costed \$0.4 M.

## **Cash at the end of the period**

At the end of the third quarter of 2019, the cash at the end of the period was \$1,637,377 compared to \$2,531,099 in 2018. The decrease is explained by an increase in the investments in plant property and equipment. Mainly for new drifts and the rehabilitation of old drifts at the Elder mine.

## **EXPLORATION AND EVALUATION ASSETS**

### **Mining properties**

For the nine-months period ended March 31, 2019, the value of mining properties increased by \$14,654.

### **Exploration and evaluation assets**

The exploration and evaluation assets are given in note 8 of the financial statements. See table below:

	Balance as at June 30, 2018	Addition	Balance as at March 31, 2018
	\$	\$	\$
Abcourt-Barvue, Qc	4,829,444	380,347	5,209,791
Vendôme, Qc	205,510	112	205,622
Aldermac, Qc	754,668	87,484	842,152
Discovery-Flordin, Qc	34,483	442,044	476,527
Dormex	176,048	2,633	178,681
Autres (% variable)	5,652	250	5,902
	<u>6,005,805</u>	<u>912,870</u>	<u>6,918,675</u>

### **Details on exploration and evaluation expenses (9 months)**

For the first three quarters, terminated on March 31, 2019 and 2018, the following expenses, associated to the discovery of mineral resources, have been included in the cost of exploration and evaluation expenses.

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
Drilling	410,731	164,873
Assays	18,612	15,315
Fees and engineers expenses	454,867	189,236
General exploration and evaluation expenses	<u>28,660</u>	<u>26,745</u>
Total	<u>912,870</u>	<u>396,169</u>
Increase of exploration and evaluation expenses	912,870	396,169
Adjustment to tax credit related to resources	-	12,212
Tax credit related to resources	<u>-</u>	<u>(6,380)</u>
Balance, beginning of year	<u>6,005,805</u>	<u>5,492,649</u>
Balance, end of period	<u>6,918,675</u>	<u>5,894,650</u>

### **Details on the most important item of exploration and evaluation expenses for the first three quarters ended on March 31, 2019:**

In 2019, the most important items were:

Fees and engineer expenses	=	\$454,867
Drilling	=	\$410,731

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

	<b>March 31, 2019</b>	June 30, 2018
	\$	\$
Accounts payable	2,000,512	1,146,958
Royalties payable	846,079	903,438
Salaries and holidays payable	595,284	775,684
Due to governments	<u>1,301,822</u>	<u>1,333,412</u>
	<u>4,743,697</u>	<u>4,159,492</u>

The increase in the accounts payable is due to the increase of the number of tonnes extracted in the last month of the quarter. In March, the Company extracted 11.3 K tonnes of ore at the Elder mine. The increase on the tonnage mined led to an increase in the expenses during March and therefore an increase in the accounts payable at the end of the quarter. Also, a significant maintenance expense was incurred on the hoist at the Sleeping Giant mine at the end of the quarter. All those elements contributed to the increase of the accounts payable.

As indicated previously, the amount due to government represents mainly the balance due to Revenue Quebec for new assessments of tax credits received for the years 2011 to 2014 and interests on that debt. See note 9, page 35 of the 2018 annual Financial Statements.

### **Other Liabilities**

	<b>March 31, 2019</b>	June 30, 2018
	\$	\$
Balance, beginning of year	154,900	35,613
Increase of the year	51,000	186,650
Decrease related to the incurring of expenses	<u>(154,900)</u>	<u>(67,363)</u>
Balance, end of year	<u><u>51,000</u></u>	<u><u>154,900</u></u>

Other liability results from the sale of tax deductions to investors following flow-through share financings

### **Royalties excluding mining tax**

<u>Property</u>	<u>Royalty</u>
Elder	2 to 3% NSR
Barvue	0
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 tonnes
Aldermac West	2% NSR
Sleeping Giant	\$5.00 / tonne for 350,000 tonnes

### **Off balance sheet arrangements**

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

## **FINANCIAL SITUATION STATEMENT**

Total assets increase regularly, that is from \$41,507,032 on June 30, 2018 to \$43,381,331 on March 31, 2019. This increase is found in current assets from \$8,150,254 on June 30 to \$9,317,548 on March 31, 2019.

Liabilities decreased from \$11,672,965 on June 2018 to \$10,142,561 on March 31, 2019.

The deficit decreased from \$20,155,600 on June 30, 2018 to \$17,575,284 on March 31, 2019. Hence the deficit decreased by close to \$ 2.6 M.

## **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 and exploration 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 475 Ave de l'Eglise, Rouyn-Noranda (Evain), Québec. J0Z 1Y1.

These interim financial statements were approved by the Board of Directors on May 18, 2019.

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

The quarterly non-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 evaluation assets in its financial statements for the three-month period ending on March 31, 2019 and 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

The following table shows the changes in provisions for the restoration of mining sites:

	<b>March 31, 2019</b>	June 30, 2018
	\$	\$
Balance, beginning of year	5,851,259	5,911,000
Revision of estimates	<u>(1,701,136)</u>	<u>(150,161)</u>
Accretion expense	<u>39,409</u>	<u>90,420</u>
Balance, end of year	<u><u>4,189,532</u></u>	<u><u>5,851,259</u></u>

The rate used to determine the future value is 2.0% and 1.8% (2% as at June 30, 2018), while the rate reflecting the current market assessments used to determine the present value of the provisions is 1.57% and 1.85% (1.91% and 2.06% as at June 30, 2018). 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 on March 31, 2019:

#### **Anticipated cash flows payment schedule**

	\$
Elder Mine	497,570
Sleeping Giant Mine	<u>3,625,865</u>
	<u><u>4,123,435</u></u>

The following table sets forth the distribution of decommissioning provisions for mining sites:

	<b>March 31,</b>	June 30,
	<b>2019</b>	2018
	\$	\$
Elder Mine	498,758	479,259
Sleeping Giant Mine	<u>3,690,774</u>	<u>5,372,000</u>
	4,189,532	5,851,259

The closing plan of the Elder mine was revised and approved by the ministry of Natural Resources of Quebec. The closing plan of the Sleeping Giant mine was also revised and filed in October 2018. An important reduction in costs is expected and the \$1.3 M deposit that was needed previously is not needed any more. We are waiting for the approval of the ministry of Natural Resources of Quebec. The reduction in costs comes from the use of the Elder tailings, with a high potential of neutralization, to cover the Sleeping Giant tailings and those obtained in the treatment of custom ore.

### **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.

Two studies on the Environmental effects monitoring (EEM) were completed recently at a cost of about \$140,000 for the Elder and Sleeping Giant properties. These studies are required by the Metal Mining Effluent Regulations (MMER)

### **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:**

	<b>December 31, 2018</b>		June 30 2018	
	Number	Amount	Number	Amount
		\$		\$
<b>Balance, beginning of period</b>	288,703,071	42,921,032	276,678,219	42,131,970
Paid in cash <sup>(1)</sup>	1,980,000	106,920	2,690,000	182,250
Flow-through shares <sup>(2)</sup>	<u>8,851,100</u>	<u>575,598</u>	<u>9,334,852</u>	<u>606,812</u>
	299,534,171	43,603,550	288,703,071	42,921,032
<u>Shares to be issued</u>				
Paid in cash <sup>(1)</sup>	20,000	1,080		
Flow-through shares <sup>(2)</sup>	<u>1,413,000</u>	<u>91,889</u>		
<b>Balance, end of period</b>	300,967,171	43,696,519	288,703,071	42,921,032

As at March 31, 2019 and June 30, 2018, shares issued were fully paid.

- (1) The value of capital stock paid in cash is presented net of the fair value of warrants amounting to \$12,000 (\$19,500 at June 30, 2018).
- (2) The value of flow-through shares is presented net of premium related to the sale of tax deductions amounting to \$51,000 (\$186,650 at June 30, 2018).

In December 2018, the Company closed a private placement constituted of 200 units at a price of \$600 per unit. Each unit consisted of 10,000 class « B » shares at a price of \$0.06 per share and 5,000 warrants, each warrant entitling its holder to purchase one share at a price of \$0.10 over a 24-month period. The total gross proceeds of \$120,000 was presented net of the fair value of warrants amounting to \$12,000.

In December 2018, the Company closed a flow-through private placement of 10,264,100 flow-through shares at \$0.07 per share. The total gross proceeds of \$718,487 was presented net of a premium on flow-through shares of \$51,000.

For more information, see the March 31, 2019 Financial Statements on pages 17 to 20.

## **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 2019 compared to the quarterly financial statement of 2018 on the basis of segmentation or the basis of evaluation of segment results.

### **Convertible securities**

None

### **Escrowed shares**

None

### **Subsequent event**

None.

### **Contingent liabilities**

For details on contingent liabilities, please see the Financial Statements on page 20.

### **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 page 21.

## **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 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 March 31, 2019 and 2018, 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  $\pm 5\%$  (7% in 2018) change of the US dollar / Canadian dollar exchange rate for the reporting period ended March 31, 2019, would have had a  $\pm \$227,075$  (\$967,581 in 2018) 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 periods. In 2019 and 2018, 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 March 31, 2019, would have had a  $\pm \$1,170,927$  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 obligation.

### **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 March 31, 2019, Company's liquidities amount to \$1,637,377 of which approximately \$600,000 is reserved for exploration and evaluation of mining projects. However, the Company's working capital amounts to approximately \$3,364,519 as at March 31, 2019. 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 March 31, 2019, the capital of the Company consists of equity amounting to \$33,238,770. 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 March 31, 2019. 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.

## **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 AND THE TAGAMI PROPERTY**

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.

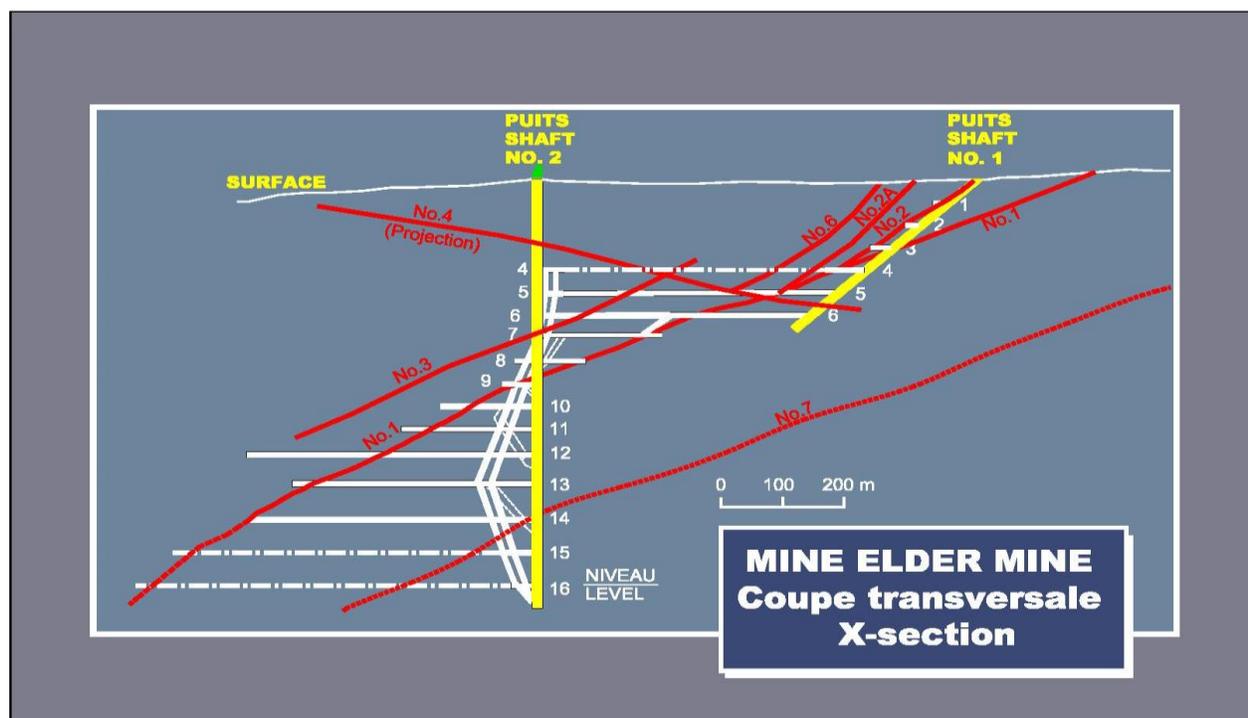
Between 1984 and 1989, a total of \$23 M was spent on this property by the Aunore Resources Inc – Nova Beaucage Mines Limited joint venture. The surface plant was installed and the necessary equipments were purchased. The mine was dewatered, 4,268 meters (14,000 feet) of old drifts were rehabilitated, 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 gold mineralization 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 2018, 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.

#### **UPDATE OF RESOURCES ACCORDING TO THE STANDARDS OF THE NI 43-101**

An update report of resources on the Elder mine and the Tagami property was prepared in 2018 by Mr. Jean-Pierre Bérubé, engineer in geology. Mr. Bérubé is an independent consultant. In this report, Mr. Renaud Hinse, mining engineer, prepared an update of the Preliminary Economic Assessment (PEA) report prepared originally by Roche, Consulting-group in 2012. An independent PEA was not required as there has not been a 100% increase in the mineral resource estimate. Mr. Bérubé and Mr. Hinse are both designated as “qualified persons” according to NI 43-101, each one of them has pertinent experience in his domain. This report is available on SEDAR.

Below is a cross-section of the Elder mine.



### 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>	<b>56,131</b>	<b>5.52</b>	<b>409,695</b>	<b>6.57</b>	<b>463,826</b>	<b>6.45</b>	<b>96,126</b>
<b>TAGAMI</b>	<b>0</b>	<b>0.00</b>	<b>174,258</b>	<b>6.22</b>	<b>174,258</b>	<b>6.22</b>	<b>34,848</b>
<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:

ZONE	INFERRED		GOLD OUNCE S
	TONNES	GRADE	
	(metric)	(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.

**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.”

## **Dilution factor during the mining**

Commercial production started on January 1, 2016.

From January 1, 2016 to June 30, 2018, a total of 267,064 metric tonnes were mined with a grade of 4.43 g/t of gold (car samples).

In his preliminary economic study in 2012, Roche used a factor of 85% for the recovery of resources. We used the same factor.

In the mining operation, to be sure to extract all the mineralization, it is necessary to take some waste. If we take only 0.15 m above and below the ore in an 1.8 m face, we get 15% dilution. In addition, frequent changes of dip of the mineralization result in getting some uncontrolled dilution. We also have to adjust to variations of grade in veins. Blasts in sheared zones also produce unwanted overbreaks. All these factors combined account for an apparent 40% dilution. We give no grade to the dilution material.

However, Roche used only 20% of dilution with a grade of 0.69 g/t Au. The Roche estimate was made without the benefit of test mining, as the mine was flooded at that time.

## **Mining method**

Veins generally have a dip angle of 22° and a 2-meter thickness.

The mine is serviced by 2 shafts and 16 levels. Shaft #1 is used for the ventilation of the mine and as an escape way. Shaft #2 is used for production. The distance between levels varies between 41 and 61 meters. Drifts (2.7 m x 2.8 m) give access to the mineralized zone. Then, drifts follow the zone to give access to stopping sites. On levels 3, 4 and 6, drifts will follow the mineralization over a distance of 240 meters.

Mining is done with the room and pillar method. The roof and part of the walls are secured with rock bolts and screen. With this method of mining, about 15% of the resources are left in pillars. Part of these pillars will be recovered at the end of the mine.

The width of rooms and the size of pillars were determined by a geotechnical study done by Golder Associates in 1986 and by an inspection in 2014.

A stope team is made up of two drillers, 2 scrapping operators and one mucker.

The monthly rate of production of Elder is about 8 000 to 11,000 tonnes. Our objective is to get 12,500 tonnes per month. The life of the mine, based on the existing measured and indicated resources, is 4.25 years. The eventual conversion of inferred resources into measured and indicated resources would add about 3.5 years for a total of 7.75 years, without taking into account the Tagami resources. Several exploration targets that remain to be explored could increase these resources substantially.

## **Economical analysis**

### **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.

### **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**

<b>Description</b>	<b>Units</b>	<b>Value \$</b>
Recoverable measured and indicated resources with a reasonable prospect for eventual economic extraction.	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 potentially 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:

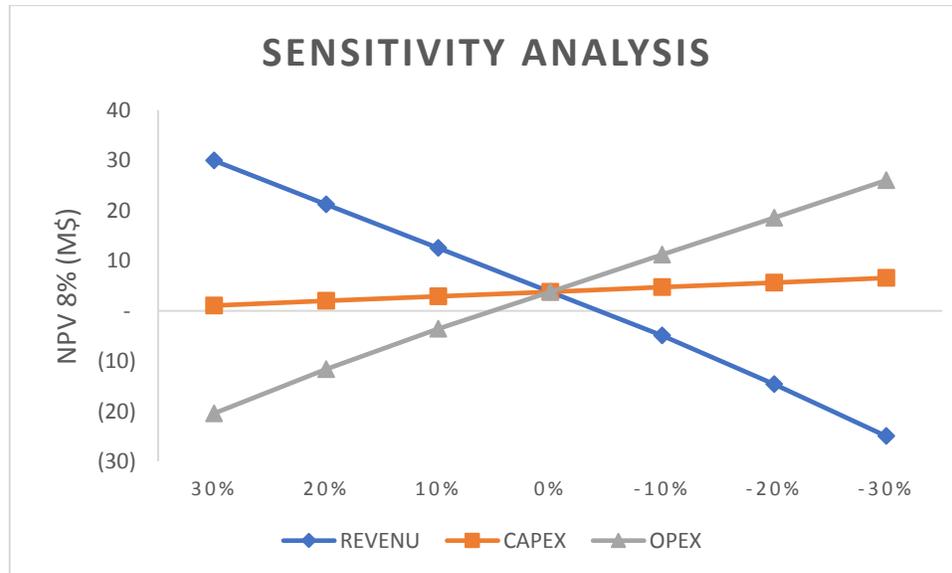
- Up to 35% profit margin                    16%
- From 35% to 50% profit margin           22%
- From 50% to 100% profit margin        28%

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 \$80 M.

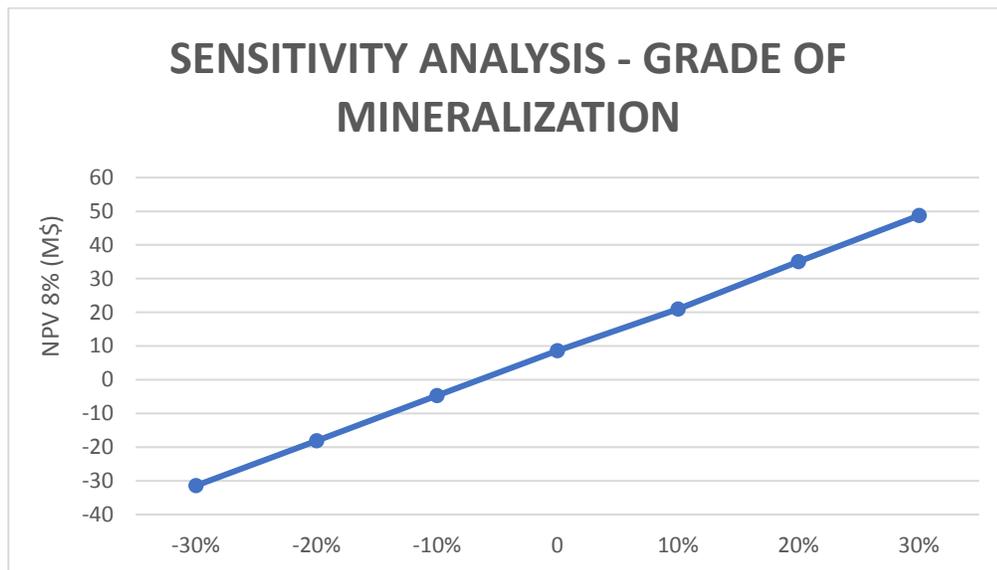
### Sensitivity analysis

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 second quarter of the current fiscal period, from October to December 2018, the average grade of treated mineralization was 5.64 g/t of gold. Our objective, for the next months, is to have 5,0 g/t of gold at the mill.



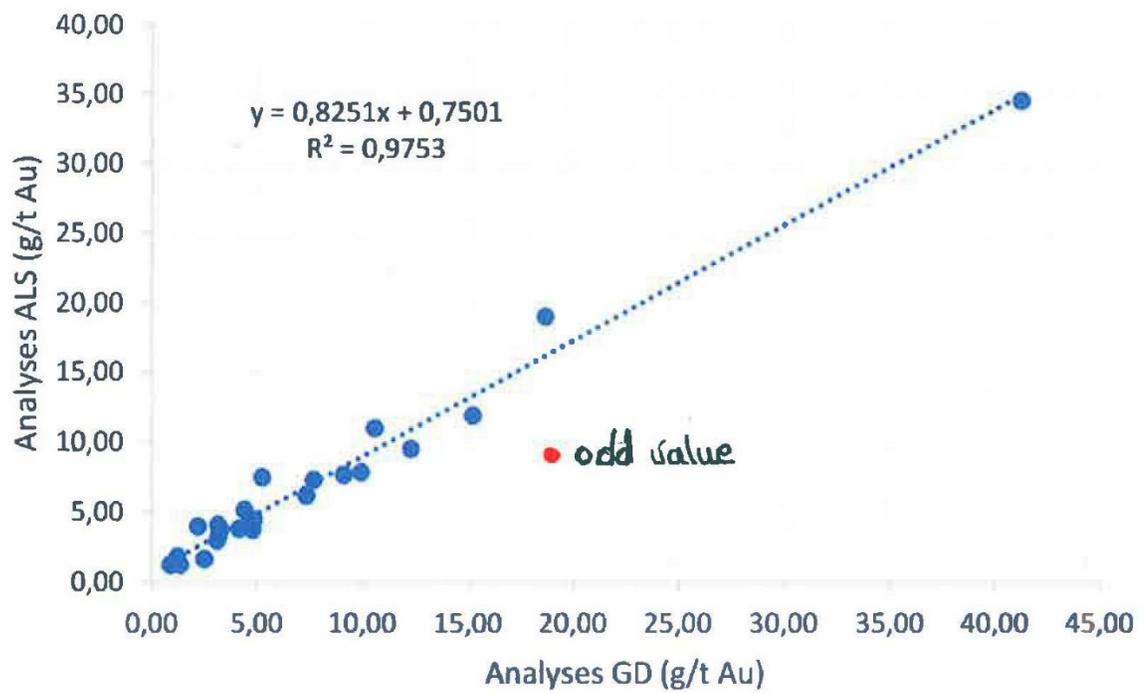
This graph and the previous one show important variations in the grade of mineralization, the price of gold and operating costs. Actual variations might be less accentuated.

### **Quality control and assurance**

In its operations, Abcourt applies a procedure for the three methods of sampling used: drill core (series D), chips (series F) and broken muck (series M), to reconcile grade with the ounces produced at the Sleeping Giant mill. The lab is directed by a chief analyst with adequate experience in this domain. This lab maintains an internal quality control program. Assay results of blanks, duplicates and standards appear regularly (3/24) on assay reports.

Check assays done for 15 chip samples (F) and 10 muck samples (M) done by an accredited laboratory (ALS-Chemex) indicate that the assay results from both laboratories have a very good coefficient of correlation ( $R^2=0.975$ ) even after including an odd value for sample M18465.

See graph on the following page.



***Strong correlation coefficient between Sleeping Giant (GD) and ALS-Chemex (ALS) assays without the odd value***

**Comparative table of results for the third quarter and the nine-month period  
ended on March 31, 2019 and 2018**

Description	3 months March 31-19	9 months March 31-19	3 months March 31-18	9 months March 31-18
Tonnes treated	26,154	74,873	34,525	82,751
Tonnes extracted	25,633	75,881	32,728	82,009
Gold ounces sold	3,322	10,185	3,765	10,274
Gold ounces produced	4,000	11,109	4,505	10,779
Gold recovery	96.19 %	97.10 %	96.76 %	96.69%
Revenues from the sale of gold and silver	5,745,611 \$	17,110,953 \$	6,360,000 \$	16,949,947 \$
Price of gold sold \$/ounce	1,730	1,680	1,689	1,650
US\$/ounce	1,309	1,272	1,334	1,303
Average cost production cost \$/ounce	1,105	1,246	1,293	1,353
US\$/ounce	837	943	1,021	1,069
All inclusive cost of production \$/ounce	1,362	1,498	1,590	1,656
US\$/ounce	1,031	1,134	1,256	1,308
Gold and silver stock ready to be sold	680,563 \$	680,563 \$	50,110 \$	50,110 \$
Gold and silver inventory in circuit	2,184,521 \$	2,184,521 \$	2,149,954 \$	2,149,954 \$
Gold and silver inventory	2,865,084 \$	2,865,084 \$	2,200,064 \$	2,200,064 \$
Net profit (loss) after taxes	1,417,794 \$	2,625,390 \$	752,208 \$	1,263,137 \$
Mining tax	123,000 \$	330,000 \$	65,118 \$	140,118 \$
Deferred taxes	(9,400) \$	(154,900) \$	(13,750) \$	(49,363) \$
Cash flow from operations	(356,818) \$	2,218,426 \$	786,798 \$	4,406,194 \$
Cash at the end	1,637,377 \$	1,637,377 \$	2,681,181 \$	2,681,181 \$

**Comments:**

Despite a few interruptions with a power shut down and some mechanical failures, the Elder mine remains profitable. See below:

• Tonnes treated	• decrease of 24 % for the third quarter • decrease of 10 % for the 9-month period
• Gold ounces produced	• decrease of 11 % for the third quarter • increase of 3 % for the 9-month period
• Proceeds form sale of gold and silver	• decrease of 10 % for the third quarter • increase of 1 % for the 9-month period
• Average cost of production	• decrease of 15 % for the third quarter • decrease of 8 % for the 9-month period
• All inclusive production cost	• decrease of 14 % for the third quarter • decrease of 9 % for the 9-month period
• Net profit net after taxes	• increase of 88 % for the third quarter • increase of 108 % for the 9-month period
• Cash flow at the end of the period	• decrease of 39 %

## **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.

## **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.

During the second quarter, ending on December 31, 2018, we processed 18,000 tonnes of mineralisation from the Vezza mine. During the current quarter, to March 31, 2019, there was no custom milling of ore.



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. A modified report was recently filed with the signature of a new qualified person.

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

*Table of mineral resources as estimated in September 2018*

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>

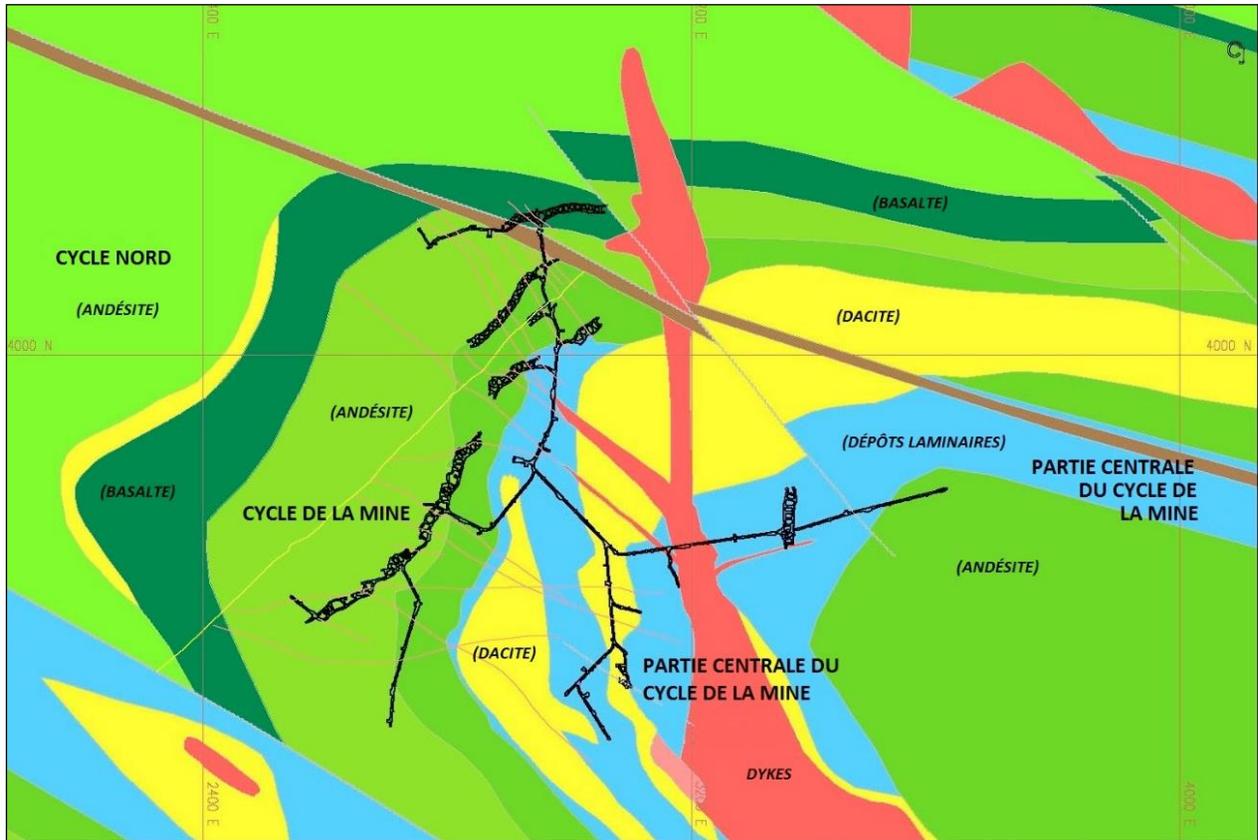
**The indicated grade at Sleeping Giant is twice as high as the grade at Elder.**

**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.

See, on the following page, plan view of level 665

Plan view of level 665



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

### **Preliminary Economic Study**

An economic study is currently being prepared and should be available in June 2019.

## 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 5,123 hectares with 103 cells 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.

### Mineral resources

A mineral resource estimate was produced by Jean-Pierre Bérubé in 2014 titled NI 43-101 Mineral Resources Report for the Abcourt-Barvue Property. The estimate returned measured and indicated resources (M&I) for the Abcourt-Barvue deposit totalling 8,086,000 tonnes grading 3.06% Zn and 55.38 g/t. These resources were used as a basis for the current update of the 2007 feasibility study, completed in January 2019. See details below.

Here is a comparative table of the 2014 resources of all categories compared to those of 2006.

### *Resources of all categories*

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

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 m.

The Bérubé report was filed on Sedar and is available for additional information.

## Update of the feasibility study in January 2019

An update of the feasibility study was prepared by Mining Services PRB inc and Bumigene Inc over the last few months, and a report complying with NI 43-101 was filed on Sedar on February 11, 2019.

### Mineral reserves

The 2018 mineral reserves estimate, including dilution, are presented in the following table in comparison with the 2007 estimate.

Method of Mining	Classification	2007 Estimate				2018 Estimate			
		Tonnage	Grade			Tonnage	Grade		
			Ag	Zn	Zn EQ		Ag	Zn	Zn EQ
(t)	(g/t)	(%)	(%)	(t)	(g/t)	(%)	(%)		
Open Pit	Proven Mineral Reserves	5,338,731	44.79	3.15	4.03	6,180,510	39.72	2.83	3.61
	Probable Mineral Reserves	0	0.00	0.00	0.00	408,851	43.01	2.36	3.20
	Total Open Pit	5,338,731	44.79	3.15	4.03	6,589,361	39.93	2.80	3.58
Underground	Proven Mineral Reserves	1,169,662	105.19	2.87	4.93	1,169,662	105.19	2.87	4.93
	Probable Mineral Reserves	315,139	101.61	3.23	5.22	315,139	101.61	3.23	5.22
	Total Underground	1,484,801	104.43	2.95	5.00	1,484,801	104.43	2.95	4.99
Open Pit and underground	Proven Mineral Reserves	6,508,393	55.64	3.10	4.19	7,350,172	50.14	2.84	3.82
	Probable Mineral Reserves	315,139	101.61	3.23	5.22	723,990	68.52	2.74	4.08
	Total	<b>6,823,532</b>	57.76	3.11	4.24	<b>8,074,162</b>	51.79	2.83	3.84

- Note: 1) Zn Eq grades are calculated with 2018 parameters for this table.  
2) Silver zinc equivalence: 0,61% Zn = 1 oz Ag

### Mining Plan

A mine plan was developed for the 2018 mineral reserves using the Genivar (now WSP Canada) 2007 pit design and underground mine design. The 2014 mineral resource diluted and recovered produced a total of 8,074,162 tonnes of mill feed grading 2.83% Zn and 51.79 gpt Ag, of which 6,589,361 tonnes (81.6%) will be produced in open pit operations and 1,484,801 tonnes (18.4%) will be produced in underground operations. The life of mine is 13 years. There are good possibilities of increasing the life of mine by converting inferred resources into proven and probable reserves and by finding new reserves with additional exploration.

The open pit operation consists in the expansion and deepening of the Barvue pit and the excavation of the Abcourt East and the Abcourt West pits over a period of 13 years. The pits will be excavated to a depth of 166 m, 72 m, and 42 m respectively. The underground operations consist in the mining of stopes from a depth varying from 150 m to 200 m below surface to the pit bottoms using the Avoca method. The underground work areas will be accessed by excavating declines.

## **Mineral processing**

Historical mineral recoveries during the Barvue production period were over 90% for zinc and 77% for silver. In 2017, metallurgical tests were performed in several laboratories. The cyclic flotation tests realized on the ore of Abcourt-Barvue have shown the possibility to recover 97.5% of the zinc and 77.8% of the silver in a Zn-Ag concentrate assaying 53.4% Zn and 740.6 g/tm Ag.

The processing plant remains at a mill capacity of 650,000 tonnes per year but the circuit was modified by eliminating the cyanidation circuits to produce only a zinc-silver concentrate.

Minor changes were brought to the surface infrastructure such as the installation of new 25kV power line on the site and the relocation of the waste rock stockpiles.

An average of 32,000 tonnes of zinc-silver concentrate grading 52.7% Zn and 768 gpt Ag will be produced annually.

## **Economic analysis**

The project preproduction capital cost is estimated to CA \$ 41.3 M including a working capital of CA \$ 4.0 M, and the sustaining capital cost is estimated to CA \$ 18.1 M. The average operating cost is estimated to CA \$ 39.94 per tonne milled. Closure costs are estimated at CA \$ 3.7 M.

A reduction in the initial capital cost including working capital, from CA \$ 71.26 M in 2007 to CA \$ 41.3 M in 2018 was possible after the purchase during the past few years of mill equipment, now on the site, and the rental of pit equipment in 2018 instead of the purchase in 2007 and by eliminating the cyanidation of the ore and of the pyrite concentrate.

Here is a table comparing the results of the 2018 with the 2007 economic analysis for the Abcourt-Barvue silver-zinc project:

<b>For 100% equity financing</b>	<b>2007</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Operating profit	234.3 M	225.4 M
Pre-tax cash flow	138.7 M	170.0 M
After tax cash flow	87,9 M	106,7 M
Pre-tax internal rate of return (IRR)	27.1%	26.1%
After tax internal rate of return (IRR)	21.4%	20.5%
Pre-tax net present value (NPV) 5%	87.6M	100.4 M
After tax net present value (NPV) 5%	53.2 M	59.8 M

In 2018, project revenues were estimated using US \$ 1.10 per pound of zinc, US \$ 16.50 per ounce silver, an exchange rate of CA \$ 1.25 per US \$, and smelting & refining terms. The average net value of the ore is CA \$ 67.86 per tonne.

In 2007, project revenues were estimated using US \$ 1.15 per pound for zinc, US \$ 9.54 per ounce for silver, and an exchange rate of CA \$ 1.15 per US \$ 1.00. The average net value of the ore was CA \$ 67.51 per tonne.

The 2018 economic analysis, with metal prices and the rate of exchange indicated previously assuming 100% equity financing, results in a pre-tax cash flow of 170.0 million Canadian dollars and \$106.7 M after taxes. The pre-tax rate of return (IRR) is 26.1% and 20.5% after taxes. The pre-tax net present value (NPV) is 100.4 million Canadian dollars, \$ 59.9 M after taxes, using a 5% discount rate. The pre-tax payback period is 4.9 years. A sensitivity analysis on revenue, capital cost, and operating cost shows that the project is most sensitive to total revenue, (price of zinc and rate of exchange) followed by operating costs.

In comparison, the Genivar 2007 study's economic analysis, with metal prices and the rate of exchange indicated on the previous page, assuming 100% equity financing, returned a pre-tax cash flow of 138.7 million Canadian dollars, \$ 87.9 M after taxes. The pre-tax IRR was 27.1%, 21.4% after taxes, and a pre-tax NPV at 5% discount rate of 87.6 million Canadian dollars, \$ 53.2 M after taxes.

This report has been filed on Sedar.

### **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.

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 over 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 approximately 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.

After the 2008 calculations by InnovExplo, NAP drilled 58 additional holes for a total of 32,789 meters. An update of the resources is justified, considering the numerous intersections obtained in the 2011 drilling campaigns. In addition, the 2011 drilling revealed the presence of high values in the 1200 E zone. This sector is open at depth and laterally. The drilling pattern has to be tighter to enhance the degree of confidence in some parts of the Discovery zone which extends over more than 2 km.

The Discovery gold mineralization appears to be important and the possibility of finding an orebody is good.

In the Fall of 2018, 12 holes were drilled for a total of 2,742 meters.

The objective was to verify the extension of the identified zones or the continuity of the high grades results in previous drillings.

The best results were obtained in the following holes:

No of holes	Zone	From meter	To meter	Length meter	Grade g Au / t
D18-218	Zone 30	75,65	78,45	2,80	4,37
D18-223	Zone B	399,15	401,00	1,85	5,29
D18-223	Bone B	414,10	416,25	2,15	5,90
D18-224	Zone B	162,40	165,85	3,45	6,35
D18-224	Zone B	200,00	202,00	2,00	38,20

True width is about 50 to 60% of core length.

### **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-assessed 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.

## Drilling in the Fall of 2018

In December 2018, five holes were drilled for a total of 921 meters.

The best results were obtained in hole FI 18-254 with two intersections in a new zone, that is from 38.25 to 40.35 m, 2.10 m with a grade of 6.49 g/t of gold and from 47.70 to 51.20 m, 3.50 m with a grade of 22.63 g/t of gold.

The true width is 50 to 55% of core length.

## THE VENDÔME 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:

<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	712,222	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>

In February 2011, Abcourt purchased the Xstrata Zinc Canada Division (now Glencore) interest in 15 half claims of the Vendôme property. The purchase of these claims will enable us to add these claims to the Abcourt-Barvue project.

No significant expenditure was done on this property during 2017-2018.

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.

### **December 2018 Drilling**

In December 2018, two additional holes, totalling 793 meters, were drilled. The holes are 394 and 399 meters deep.

The first hole was planned to intersect the eastern extension of a silver-zinc flat zone. This structure was intersected but there was no significant value. However, deeper in the hole, a new chalcopyrite zone was intersected in a basalt flow. It assayed 2.06% Cu and 0.22 g/t of gold over 6.4 meters from 369.15 to 375.55 meters in the hole.

The second hole was drilled in a magnetic anomaly on the western extension of a massive sulfide zone. These massive sulfides zones are generally located in the contact between two rhyolite flows with a different composition. The hole found no explanation for the anomaly and there was no significant value. However, a hematized shear zone with 3 to 5% pyrite was intersected between 317.3 to 320.8 meters.

## **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.

During 2018, 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 631 claims/cells covering an area of approximately 33,470 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 75.4% and Abcourt owns 24.6%. According to the initial agreement with Cadiscor, if a participant is reduced to 10%, a 2% royalty will apply to any future production from the property. The buy-back of 1% royalty may be made for \$1.5M.

A diamond drilling program will be realized by Midland over the next few months.

### **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.

### **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 speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not be able to avoid. 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

May 30, 2019