



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

For the year ended on June 30, 2019

ABOURT 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 exploitation results and exploration, evaluation in our financial situation for the quarter ended June 30, 2019, 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, 2019 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, evaluation and exploitation results and our financial situation.

You are invited to consult the Sedar web site at 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, 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 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 2019 FISCAL YEAR

The company reports an annual income of \$25.7M compared to \$26.0M in 2018. In 2019, the annual income received from the sale of gold and silver was \$24.1M, a 7% decrease from 2018. The income received from custom milling was \$1.0M. Other income was received for assays done for clients totaled \$420K.

The average price received for the sale of gold was \$1,684 (US \$1,270) per ounce in 2019, in comparison with \$1,661 (US \$1,311) per ounce received in 2018. The company sold 14,322 ounces of gold in 2019 compared to 15,683 ounces in 2018, a decrease of 9%. The diversification of income sources and the high price of gold enabled the company to maintain a level of revenue comparable for 2019 and 2018, this despite a lower number of gold ounces sold in 2019.

The cash cost of gold sold at \$1,461 (US \$1,077) and the all-inclusive cost of \$1,691 (US \$1,253) in 2019 compared to a cash cost per ounce of \$1,322 (US \$1,044) and all-in cost of \$1,563 (US \$1,253) in 2018. An increase of 10% for the cash cost and 6 % for the all-in cost in 2019 compared to 2018.

The company reports a net profit from its operations of \$161,561 compared to \$1,415,608 in 2018, a decrease of 90%. The decrease in profit is due to a modification concerning the depletion of mining assets. The depletion cost for the 2019 annual period increased 100%. The decrease in profit is also due the devaluation of broken mineralization underground of \$1.4M. An adjusted net profit of \$3,209,710 is indicated for 2019 compared to \$4,794,602 in 2018.

The 2019 operating cash flow was \$4.2M or \$0.01 per share and this is comparable to 2018. The company had \$2.8M in cash at the end of the 2019 annual period compared to \$2.5M in 2018, a 12% increase. The company has no long-term debt. It finances itself mainly with the cash generated by its operations.

An update of the Abcourt-Barvue feasibility study (43-101) was completed in the 2019 period. The economic analysis indicates a net present value of \$59.8M and an internal rate of return of 20.5%. See pages 38 to 41 of this report for more information.

An update of the Elder mine 43-101 resources and economic analysis was prepared in 2019. Results of the economic analysis indicate a net present value after taxes of \$3.5M with a discount rate of 8%. See pages 21 to 29 of this report for more information.

An update of the 43-101 resources calculations for the Sleeping Giant mine was completed in 2019. According to that update, there are 175,562 ounces of gold in measured and indicated resources and 35,474 ounces of gold in the inferred resources.

A feasibility study 43-101 was prepared for the Sleeping Giant mine in 2019. The economic analysis indicates a net present value after taxes of \$24.6M and an internal rate of return of 184%. See pages 36 of this report for more information.

PRINCIPAL ANNUAL INFORMATIONS (audited)

Periods ended on June 30

	2019	2018	2017
Statement of comprehensive income	\$	\$	\$
Revenues	25,667,846	26,078,354	22,295,739
Net profit (Net loss)	161,561	1,415,608	(906,486)
Net profit (Net loss) per share diluted	0.00	0.01	(0.00)
Adjusted net profit	3,209,710	4,794,602	739,152
Statement of financial position			
Cash	2,276,149	2,531,099	1,289,470
Total assets	42,176,397	41,507,032	37,458,247
Decommissioning provisions for mining sites	4,247,751	5,851,259	5,911,000
Mining exploration			
Exploration and evaluation assets	8,912,534	7,941,199	7,416,692

QUARTERLY INFORMATION (non-audited)

	2019 June	2018 June	2019 March	2018 March	2018 Dec.	2017 Dec.	2018 Sept.	2017 Sept.
Statement of comprehensive income	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	7,344,131	9,107,145	5,979,127	6,363,978	6,988,852	6,877,687	5,346,880	3,729,544
Interests and other revenues	2,454	1,168	513	846	3,590	742	836	766
Net profit (loss)	(2,463,829)	152,471	1,417,794	752,208	236,614	784,748	970,982	(273,819)
Net profit (loss) per share diluted	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00	(0.00)
Statement of financial position								
Cash	2,796,149	2,531,099	1,637,377	2,681,181	3,085,311	3,346,810	2,489,744	1,133,193
Total assets	42,176,397	41,507,032	43,381,331	40,673,465	42,919,326	40,687,281	42,436,244	36,890,984
Decommissioning provisions	4,247,751	5,851,259	4,189,532	5,860,421	4,113,801	5,854,500	5,854,242	5,860,500
Mining exploration								
Exploration and evaluation expenditures net of credits	34,699	111,155	82,012	90,875	695,714	229,998	135,144	75,296

STRATEGY AND OUTLOOK

The company is focussing on the exploitation of the Elder mine. Level 4 to the east and level 9 to the west are being developed to have access to new resources. Also, the old drifts on levels 3 and 10 will be rehabilitated to have access to resources on these levels.

An update of resources (43-101) for the Elder mine, with an economic analysis was completed in the second quarter, see press release of October 20, 2018 which was filed on Sedar.

A calculation of resources (43-101) for the Sleeping Giant mine was filed on Sedar. Measured and indicated resources are 486,500 tonnes with a grade of 11.20 g/t of gold. See press release of September 2018. In addition, a feasibility study (43-101) was prepared by Mining Services PRB inc. of Val-d'Or, Québec, Mineral reserves of the Sleeping Giant mine are estimated at 85,690 ounces of gold. This report indicates that one year of preparation is needed at a cost of \$4.6M. followed by three years of production. The economic study indicates an excellent rate of return. In October 2019, rehabilitation work was started. See press release dated August 7, 2019.

Considering the very favorable market conditions for zinc and the exchange rate of the US \$ into CDN \$, we have accelerated our search of funds for the Abcourt-Barvue project with important zinc and silver reserves. An update of the 2007 feasibility study was completed in January 2019. See press release of February 8, 2019.

On the exploration front a 7,000-meter diamond drilling program on the Aldermac (base metals), Discovery and Flordin (good potential for gold) was realized in the second quarter. See press release dated March 20, 2019.

In the second quarter, custom ore was treated in our mill. In the future, our objective will be to use the full capacity of the mill to treat mineralization from Elder and Sleeping Giant mines.

For any additional information, please consult our web site www.Abcourt.com and the SEDAR site www.sedar.com.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Our revenues come mainly from the sale of gold and silver. In the annual period, ended on June 30, 2019, income totaled \$25.7M compared to \$26.0 M in 2018. See details below:

	2019	2018
	\$	\$
Sale of gold and silver	24,110,906	26,044,120
Custom milling	1,031,000	-
Other income	525,940	34,234
	<u>25,667,846</u>	<u>26,078,354</u>

The costs of sales, including mining extraction, royalties and amortization totaled \$25.3M in 2019 compared to \$22.5M in 2018.

Profit before taxes, interests and amortization was \$3,209,710 in 2019, compared to \$4,794,602 in 2018. Profit per share in 2019 was \$0.00 compared to \$0.01 in 2018.

CASH FLOW FOR THE ANNUAL PERIODS ENDED ON JUNE 30, 2019 AND 2018

Operating activities

	<u>2019</u>	<u>2018</u>
	\$	\$
Net profit	161,561	1,415,608
Elements involving no movements of cash		
Accretion expenses	57,212	90,420
Share-based compensation	32,000	-
Amortization and depletion	3,593,919	1,759,910
Deferred taxes	(832,085)	(67,363)
Total	<u>3,012,607</u>	<u>3,198,575</u>

The operating activities remained about the same even with important variations of net profit and amortization and depletion.

Financing activities

During the year, the Company issued ordinary share and flow-through shares. A net amount of \$797,529 was received in 2019 and \$943,493 in 2018 from financing activities.

Investment

Investing activities compare as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Tax credits related to resources	-	8,788
Deposit for restoration	(16,900)	-
Acquisition of property, plant and equipment	(3,785,210)	(4,427,383)
Acquisition of exploration and evaluation assets	(971,335)	(518,675)
Total	<u>(4,773,445)</u>	<u>(4,937,270)</u>

Comments on investments, twelve-month period ending on June 30, 2019

In 2019, investments in property, plant and equipment were as follows:

- Excavation of drifts at the Elder mine totaled \$2,073,043
- At the Sleeping Giant mine, mine development totaled \$1,290,698
- For a total investment of \$3,785,210

In 2018, investments in property, plant and equipment were as follows:

- At the Elder mine, for the excavation of drifts \$2,603,961
- At the sleeping Giant mine, mine development, \$1,618,261
- For a total of \$4,277,222

In 2019, exploration and evaluation costs were as follows:

- Mining properties, \$23,766
- Exploration and evaluation costs mainly for the Abcourt-Barvue and Discovery/Flordin properties totaled \$947,569

In 2018, for comparison, exploration and evaluation costs were as follows:

- Mining properties \$11,351
- Exploration and evaluation costs mainly for the Abcourt-Barvue and Dormex properties were \$507,324

Cash at the end of the period

At the end of the 2019 period, the cash was \$2,796,149, almost the same as in 2018 at \$2,531,099.

EXPLORATION AND EVALUATION ASSETS

Details on 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 June 30, 2019
	\$	\$	\$
Abcourt-Barvue, Qc	4,829,444	409,728	5,239,172
Vendôme, Qc	205,510	422	205,932
Aldermac, Qc	754,668	87,484	842,152
Discovery-Flordin, Qc	34,483	447,052	481,535
Dormex	176,048	2,633	178,681
Others (variable %)	5,652	250	5,902
	<u>6,005,805</u>	<u>947,569</u>	<u>6,953,374</u>

Details on exploration and evaluation expenses

For the year ended June 30, 2019 and 2018, the following expenses, associated to the discovery of mineral resources, have been included in the cost of exploration and evaluation expenses.

	2019	2018
	\$	\$
Drilling	410,731	163,901
Assays	20,070	17,284
Fees and engineers expenses	481,730	275,926
General exploration and evaluation expenses	<u>35,036</u>	<u>50,213</u>
Total	<u>947,569</u>	<u>507,324</u>
Increase of exploration and evaluation expenses	947,569	507,324
Balance, beginning of year	<u>6,005,805</u>	<u>5,492,649</u>
Balance, end of period	<u>6,953,374</u>	<u>6,005,805</u>

ADMINISTRATION EXPENSES

	2019	2018
	\$	\$
Part XII.6 & III.14 taxes	4,512	-
Professional fees	180,049	120,392
Interests and penalties	75,246	192,938
Bank expenses	8,271	3,761
Salaries and payroll expenses	281,036	211,423
Insurances	11,891	8,997
Office expenses and other expenses	81,373	94,220
Shareholders and investors relations	121,748	108,349
Share-based compensation	32,000	-
Amortization of property, plant and equipment	9,653	4,945
Total administration expenses	<u>805,779</u>	<u>745,025</u>
OPERATING RESULTS	<u>(459,455)</u>	<u>2,837,993</u>
REVENUE AND FINANCIAL COSTS		
Interest income	(7,393)	(3,522)
Accretion expenses	<u>57,212</u>	<u>90,420</u>
	<u>49,819</u>	<u>86,898</u>
PROFIT (LOSS) BEFORE TAXES	<u>(509,274)</u>	<u>2,751,095</u>
Income taxes and deferred taxes recovered	<u>(670,835)</u>	<u>1,335,487</u>
NET PROFIT AND COMPREHENSIVE INCOME	<u><u>161,561</u></u>	<u><u>1,415,608</u></u>
NET PROFIT PER SHARE		
Basic	0.00	0.01
Diluted	0.00	0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	293,312,067	282,532,175
Diluted	293,312,067	282,532,175

The most important variations in expenses from the year 2019 to 2018, was in professional fees, interests and penalties and salaries and payroll expenses. The professional fees increase because an amount of \$55K of the president's professional fees was in 2018 recorded in the cost of sales. The increase of the Salaries and payroll expenses is due to the reclassification of salaries for an amount of \$60K which were mistakenly classified in 2018 in the cost of sale. Finally, interests and income taxes penalties decreased significantly in 2019. The interests and penalties consist mostly in accrued interests on the debt toward Revenu Quebec following the re-assessment of tax credits for the years 2011 to 2014. Half of the amount claimed by Revenu Quebec was reimbursed during the previous years and so the amount of accrued interests decreased. In 2018, the interests and penalties also included an amount of \$116K of interests on the 2016 taxes payable.

Accounts payable and accrued liabilities

	2019	2018
	\$	\$
Accounts payable	1,580,408	1,146,958
Royalties payable	877,183	903,438
Salaries and holidays payable	821,940	775,684
Due to governments	<u>1,374,467</u>	<u>1,333,412</u>
	<u>4,653,998</u>	<u>4,159,492</u>

The increase in the accounts payable is due to the increase of activities in the 4th quarter of 2019 compared to the same quarter of 2018. As noted previously, the amount due to governments represents mainly amounts due for a re-assessment of tax credits for years 2011 to 2014 by Revenu Quebec and interests on that debt.

Other Liabilities

	2019	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>51,000</u>	<u>154,900</u>

Other liability represents fiscal deductions ceded to investors with flow-through shares.

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 arrangement off balance sheet.

FINANCIAL SITUATION STATEMENT

Total assets increased from \$41,507,032 on June 30, 2018 to \$42,176,397 on June 30, 2019. The increase was in the deferred income and mining taxes for an amount of \$2.4M.

The equity increased from \$29.8M in 2018 to \$30.8M in 2019.

INCORPORATION ACTIVITIES

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.

BASIS OF PRESENTATION AND COMPLIANCE DECLARATION

These financial statements of Abcourt Mines Inc., were prepared by management in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the IASB.

For additional information concerning the accounting policies, please consult notes 2 and 3 of the annual audited, financial statements dated June 30, 2019 (pages 9 to 26).

These financial statements were approved by the Board of Directors on October 25, 2019.

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 twelve-month period ending on June 30, 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 presents the variations of provisions for the restoration of mining sites.

	2019	2018
	\$	\$
Balance, beginning of year	5,851,259	5,911,000
Revision of estimates	(1,660,720)	(150,161)
Accretion expense	<u>57,212</u>	<u>90,420</u>
Balance, end of year	<u>4,247,751</u>	<u>5,851,259</u>

The rate used to determine the future value is 2.2% (2% on June 30, 2018), while the rate reflecting the current market assessments (adjusted to take into account the specific risks of this liability) used to determine the present value of the provisions is 1.41% (1.91% and 2.06% as at June 30, 2019). 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 revision of estimates follows the revision of the scheduled variations of cash estimates following an update of resources and their expected life and a revision of future costs of restoration of the Elder and Sleeping Giant mines. The revision of estimates was accounted for in property, plant and equipment account.

According to the 2013 restoration plan of the Sleeping Giant mine site, the company had to deposit with the ministry of Energy and Natural Resources of Quebec. The following amounts on the following dates: \$671,121 before August 17, 2016 and two other deposits of \$335,638 on August 17, 2018 and 2019. The 2013 plan anticipated a total cost of restoration for the site of \$5,370,214. To date, an amount of \$4,027,817 has been deposited. A new plan prepared by an external consultant was deposited with the ministry in October 2018 and is being checked by the ministry. According to the new plan, the restoration cost is estimated at \$3,625,865. This plan takes in account the use of tailing from the Elder mine to cover the tailings from the Sleeping Giant mine and this results in an important reduction of costs for the restoration of the site. The company considers that it will not have to deposit the remaining amounts tied to the 2013 plan.

The following table sets forth the estimated *undiscounted* cash flows resulting from the future costs of restoration used in the calculation of provisions tied to the restoration of mining sites on June 30, 2019.

	Estimated amount of cash flows for 2026
	\$
Elder Mine	497,570
Sleeping Giant Mine	3,625,865
	<hr/>
	4,123,435
	<hr/>

The following table shows the break down of the provisions for the restoration of mining sites.

	2019	2018
	\$	\$
Elder Mine	510,476	479,259
Sleeping Giant Mine	3,737,275	5,372,000
	<hr/>	<hr/>
	4,247,751	5,851,259
	<hr/>	<hr/>

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:

	2019		2018	
	Number	Amount \$	Number	Amount \$
Balance, beginning of period	288,703,071	42,921,032	276,678,219	42,131,970
Units issued	2,000,000	108,000	2,690,000	182,250
Flow-through shares issued	10,264,100	667,487	9,334,852	606,812
Balance, end of period	<u>300,967,171</u>	<u>43,696,519</u>	<u>288,703,071</u>	<u>42,921,032</u>

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

In 2019, the Company closed a private placement constituted of 200 units. Each unit consisted of 10,000 class « B » shares 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 2019, the Company closed a flow-through private placement of 10,264,100 flow-through shares. The total gross proceeds of \$718,487 was presented net of a premium on flow-through shares of \$51,000.

In connection with the private placement, 380,768 warrants were issued to an intermediary. Each warrant entitling its holder to purchase one share at a price of \$0.10 for a 12-month period.

In 2018, the Company closed a private placement constituted of 269 units. Each unit consisted of 10,000 class « B » shares 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 \$201,750 was presented net of the fair value of warrants amounting to \$19,000.

In 2018, the Company closed a flow-through private placement of 10,264,100 flow-through shares. The total gross proceeds of \$793,462 was presented net of a premium on flow-through shares of \$186,650. For more information, see the June 30, 2019 and 2018 Financial Statements on note12.

Share purchase options and warrants

The shareholders of the Company approved a stock option plan (the « plan ») whereby the Board of Directors may grant to employees, officers, directors and suppliers of the Company, share purchase options to acquire shares in such numbers, for such terms and at such exercise price as may be determined by the Board of Directors. It was originally adopted in October 1996 and approved by shareholders of the Company on December 1st, 1997, and has subsequently been modified several times with the approval of shareholders in December 2001 and December 2012. The exercise price cannot be lower than the market price of the shares at the time of grant.

The plan provides that the maximum number of shares in the capital of the Company that can be reserved for issuance under the plan shall be equal to 14,500,000 shares. The maximum number of shares that can be reserved for issuance of option to any one person may not exceed 5% of the outstanding shares at the time of grant and the maximum number of shares which may be reserved for issuance to an investor relations representative, a consultant or a supplier may not exceed 2% of the outstanding shares at the time of grant.

The acquisition conditions of share purchase options are without restriction. However, the options granted to investor relations representatives will be acquired at a rate of 25% per quarter. These options will expire no later than five years after being granted.

Changes in Company share purchase options were as follows:

	2019		2018	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of period	7,800,000	0.12	8,100,000	0.12
Granted	800,000	0.07	-	-
Cancelled and expired	<u>(1,400,000)</u>	0.12	<u>(300,000)</u>	0.10
Outstanding and exercisable, end of period	<u>7,200,000</u>	0.12	<u>7,800,000</u>	0.12

During the year, the Company issued share purchase options to directors of the Company. The weighted average fair value of the share purchase options of \$0.04 was determined using the Black-Scholes options pricing model and based on the following weighted average assumptions:

	2019
Average share price at date of grant	\$0.065
Expected dividends yield	-
Expected weighted volatility	84%
Average risk-free interest rate	1.9%
Expected average life	5 years
Average exercise price	\$0.07

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the share purchase options granted. No special features inherent to the warrants were incorporated into measurement of fair value.

In total, \$32,000 of share-based payments (all of which related to equity-settled share-based payment transactions) were accounted for in profit or loss and credited to contributed surplus.

For more information on options and warrants please consult the 2019 and 2018 annual financial statements on note 13.

Segment information

The Company operates a gold mine in Quebec as well as 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 annual financial statements of 2018 in the basis of segmentation or the basis of evaluation of segment result. For more information, see the 2019 and 2018 annual financial statements on note 20.

Convertible securities

None

Escrowed shares

None

Subsequents events

On October 7, 2019, the Company completed first closing of a non-brokered private placement totalling \$728,000 in common share units and flow-through share units. Each unit consisted of 10,000 class « B » shares and 5,000 warrants, each warrant entitling its holder to purchase one share at a price of \$0.13 over a 12-month period. Each flow-through unit consisted of 8,000 class « B » shares on a flow-through basis and of 4,000 warrants, each warrant entitling its holder to purchase one class « B » share at a price of \$0.16 over a 12-month period.

Finder fees of \$7,680 were paid and 40,960 non-transferable finder warrants were issued in relation to certain subscriptions.

Contingent liabilities

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company is committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative tax consequences for the Company or for the investors. In the past, the Company has respected all its obligations under the flow-through share agreements signed. During the reporting period ended June 30, 2019, the Company received \$718,487 (728,437\$ in 2018) following flow-through placements for which the Company renounced tax deductions to investors as at December 31, 2019. Management is required to fulfil its commitments within the stipulated deadline of one year from this date.

As at June 30, 2019 the product of unspent funding related to flow-through financings totals \$644,297 (\$556,274 in 2018) to be spend before December 31, 2019.

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 note 17.

Financial instrument risks

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in Note 3, **Financial instruments**. The main types of risks are credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including receivables and other receivables.

Credit risk management

The credit risk is managed on a group basis based on the Company's credit risk management policies and procedures.

The Company continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Company's policy is to deal only with credit worthy counterparties. The credit terms are 30 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2019 and respectively as well as the corresponding historical credit losses during that period.

Receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis there is no expected credit loss for receivables as at June 30, 2019 and 2018. The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Accounts payable and accrued liabilities are due within the next period.

POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at June 30, 2019, the capital of the Company consists of equity amounting to \$30,774,157. 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, 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 property located at 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.
- The Tagami property with gold resources, located north of the Elder mine.

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 and reserves;
- 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 are some informations on each property:

THE ELDER MINE AND THE TAGAMI PROPERTY

The Elder mine is owned 100% by Abcourt. This property is conveniently located inside the mining community of Rouyn-Noranda, Quebec. This property comprises 24 contiguous claims, two mining leases and a mining concession covering an area of 403 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 4th, 5th 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, pumps, mucking machines 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.

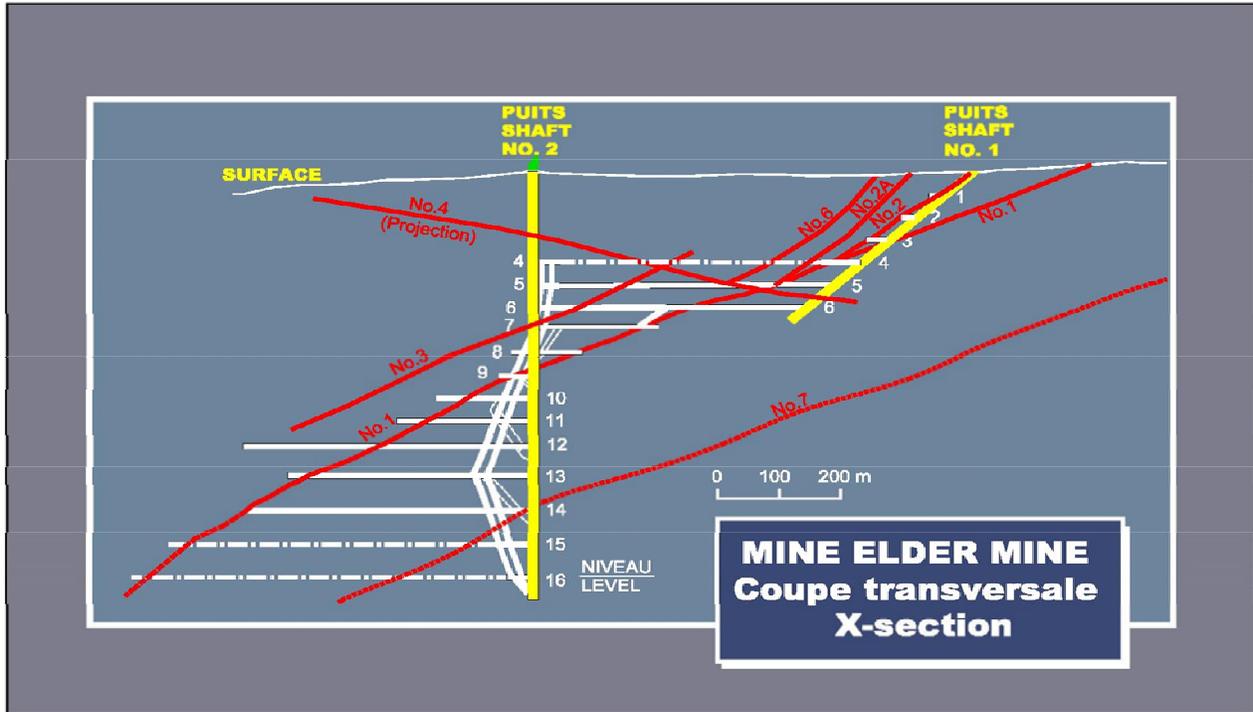


TABLE OF RESOURCES AND PARAMETERS USED

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)	
ELDER							
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
SUB-TOTAL	56,131	5.52	409,695	6.57	463,826	6.45	96,126
TAGAMI	0	0,00	174,258	6.22	174,258	6.22	34,848
TOTAL:	56,131	5.52	581,952	6.47	638,083	6.38	130,974

Elder and Tagami Measured and Indicated Resources

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

Density: 2.70 t/m³, 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 OUNCES
	TONNES	GRADE	
	(metric)	(g/t)	
ELDER			
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
SUB-TOTAL	380,251	6.12	74,872
TAGAMI	167,495	5.48	29,510
TOTAL:	547,746	5.93	104,382

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 378,384 metric tonnes were mined with a grade of 4.37 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

Description	Units	Value
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:

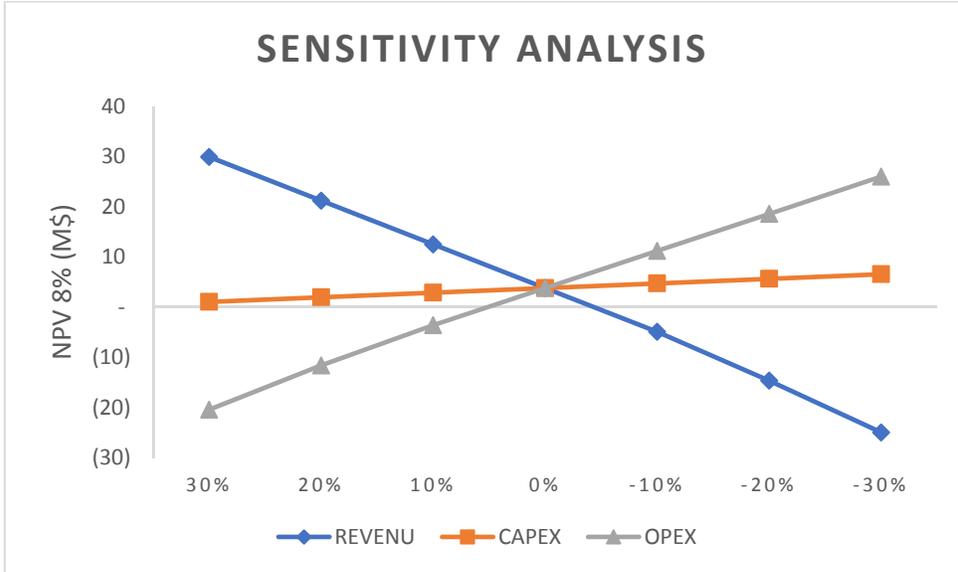
- Up to 35% profit margin 16%
- From 35% to 50% profit margin 22%
- From 50% to 100% profit margin 28%

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.

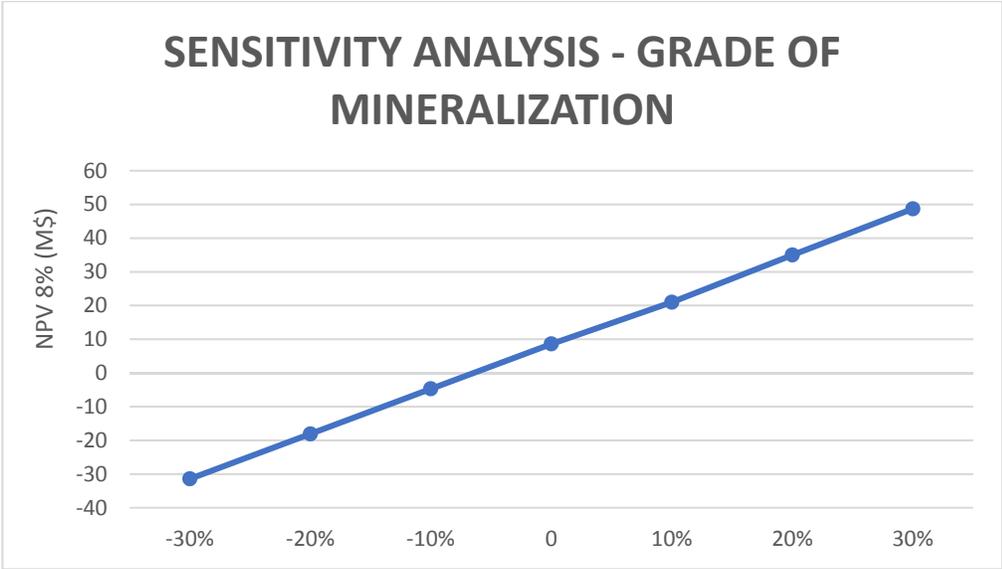
Sensitivity analysis

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 2019 annual period, the grade of the extracted mineralization at the mine was 4.50 g/t of gold. At the mill, the grade was 4.34 g/t of gold. Our objective is to increase the grade to 5.0 g/t of gold.



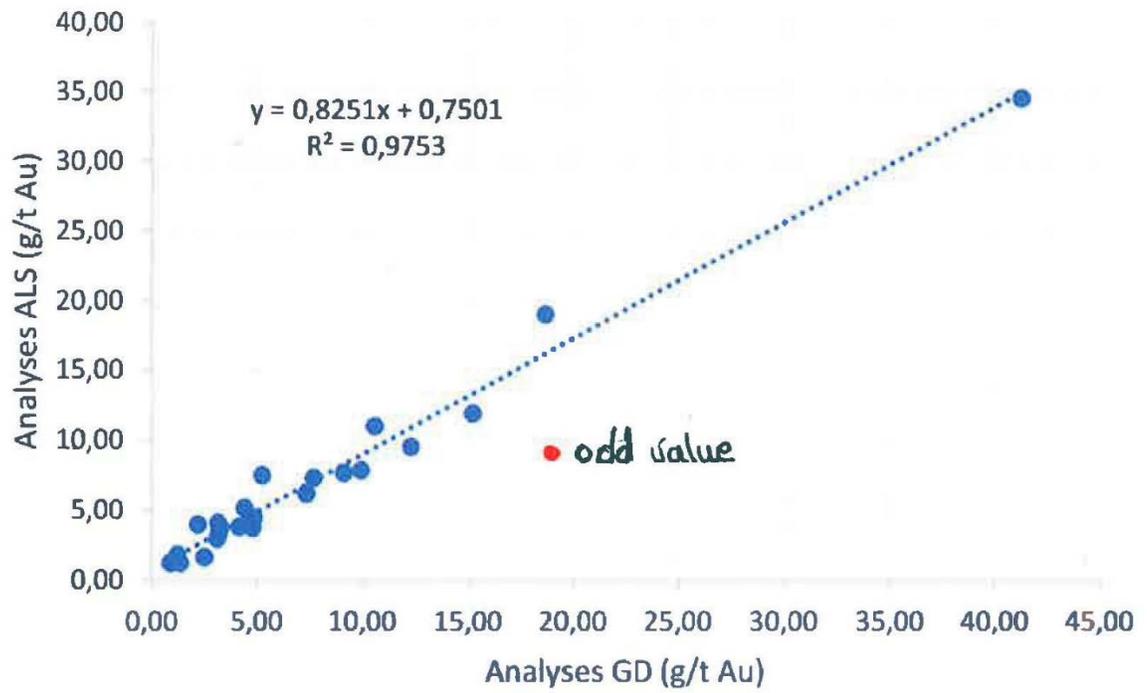
This graph and the previous one show important variations in the grade of mineralization, the price of gold and operating costs. Actual variations might be less accentuated.

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 fourth quarter and the twelve-month period ended on June 30, 2019

Description	3 months June 30-19	3 months June 30-18	Annual 2019	Annual 2018
Tonnes treated	32,539	30,647	107,412	113,398
Grade of tonnes treated g/t Au	3.88	4.83	4.34	4.38
Tonnes extracted	35,439	32,466	111,320	114,475
Grade of tonnes extracted g/t Au	3.96	4.22	4.23	4.36
Gold ounces sold	4,137	5,409	14,322	15,683
Gold ounces produced	3,959	4,601	15,067	15,380
Gold recovery	95.38%	97.10%	96.63%	96.90%
Revenues from sale of gold and silver \$	7,300,737	9,094,173	24,110,906	26,044,120
Price of gold sold \$/ounce	1,765	1,681	1,684	1,661
US\$/ounce	1,332	1,288	1,270	1,311
Cash cost per ounce produced \$/ounce	1,991	1,264	1,461	1,322
US\$/ounce	1,503	968	1,103	1,044
All-in sustaining costs per ounce produced \$/ounce	2,169	1,388	1,691	1,563
US\$/ounce	1,637	1,064	1,276	1,253
Gold and silver stock ready to be sold \$	86,257	60,900	86,257	60,900
Gold and silver inventory in circuit \$	1,205,460	1,064,870	1,205,460	1,064,870
Total gold and silver inventory \$	1,291,717	1,125,770	1,291,717	1,125,770
Adjusted net profit \$	(1,181,621)	2,133,847	3,209,710	4,794,602
Net profit (loss) after taxes \$	(2,463,817)	152,471	161,561	1,415,608
Mining tax \$	(168,750)	1,262,732	161,250	1,402,850
Deferred taxes \$	(677,185)	(18,000)	(832,085)	(67,363)
Cash flow from operations \$	2,022,540	828,935	4,240,966	5,235,406
Cash at the end \$	2,796,149	2,531,099	2,796,149	2,531,099

Variations from 2018 to 2019:

• Tonnes treated	• - 5%
• Gold ounces produced	• - 2%
• Proceeds form sale of gold and silver	• - 8%
• Cash cost per ounce of gold produced	• + 10%
• All-in sustaining costs per ounce of gold produced	• + 6%
• Net profit net after taxes	• 2019 = \$161K • 2018 = \$1.4M
• Adjusted net profit	• 2019 = \$3.2M • 2018 = \$4.8M
• Cash at the end of period	• 2019 = \$2,796,149 • 2018 = \$2,531,099

Comments :

For the annual period ended on June 30, 2018, the tonnes treated decreased from 113,398 tonnes in 2018 to 107,412 tonnes in 2019. Following an unexpected premature break of a cone crusher, more than one week of milling was lost. This event prevented us from treating a stock-pile of 5,500 tonnes of gold mineralization on surface at the mill site.

At the Elder mine in the fourth quarter, an average of 11,813 tonnes were extracted per month. The best quarterly production ever obtained. Tonnes extracted in the 2019 period totaled 107,412 tonnes compared to 113,398 in 2018.

During the first quarter, there was a two-week interruption of production to replace 17 meters of timbering in the shaft. This shaft was sunk in 1952. This timbering in the shaft was checked by independent engineers and they established that the structure in the rest of the shaft was in good conditions.

In the 2019 summer, our electrical circuit was struck by lightning and major repairs had to be done. We also had to replace some electrical parts on our hoist on several occasions. Overall, we lost almost one month of production.

On the hoist, we changed all the electrical contacts to prevent any future breakdown and we purchased spare parts to replace failed parts more quickly if necessary. All the 2019 interruptions of production are considered as non-recurrent. Without these interruptions, the mine production would have been much higher and costs lower.

Variations of costs, as indicated previously, results from new accounting procedure.

Broken muck in stopes

On June 30, 2019, there were about 8,000 tonnes of gold mineralization broken in stopes. This represents an investment of about \$600,000. If this amount had been considered as an inventory, results would have been better by that amount.

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 adjusted net profit is a measure of performance that members of the direction use to evaluate the performance of activities by the company. Without taking into account the accounting policies, taxation laws and the structure of capital as these elements may potentially give a wrong representation of the capacity of the company to generate cash with its operation. The adjusted net profit excludes interest expenses, taxes and amortization.

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.

Calculations of cash cost and sustaining costs

Cash cost	2019	2018
Gold ounces sold	14,322	15,683
Cost of sales \$	25,321,522	22,495,336
Amortization and depletion \$	3,584,266	1,754,965
Cost of sales excluding amortization \$	21,737,256	20,740,371
Less cost of other revenues \$	805,779	745,025
Cash cost (\$/ounces)	1,461	1,322
All-in sustaining costs excluding up-keep of Sleeping Giant mine \$		
Administration costs \$	805,779	745,025
Amortization of real assets \$	9,653	4,945
All-in sustaining costs \$	1,691	1,563
Adjusted annual net profit (non GAAP financial performance measure)		
Operating results \$	(459,455)	2,837,993
Adjustments:		
Interests and penalties on taxes \$	75,246	196,699
Amortization and depletion \$	3,584,266	1,754,965
Amortization \$	9,653	4,945
Sub-total \$	3,669,165	1,956,602
Adjusted net profit \$	3,209,710	4,794,602

Diamond drilling in 2019

As announced in recent press releases, Abcourt intends to drill some surface holes at the Sleeping Giant mine and at depth at the Elder mine. At Elder, this includes some drilling planned to intersect vein 7 with holes drilled at the east end of the mine on levels 5 and 6. This will be done in the near future. A drilling program is currently being done at the Abcourt-Barvue property.

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. As indicated previously, 32,539 tonnes of Elder material were treated in the fourth quarter and 107,412 tonnes in annual 2019.



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
Rounded	10,900	12.20	475,625	11.20	486,500	11.20	93,100	11.85

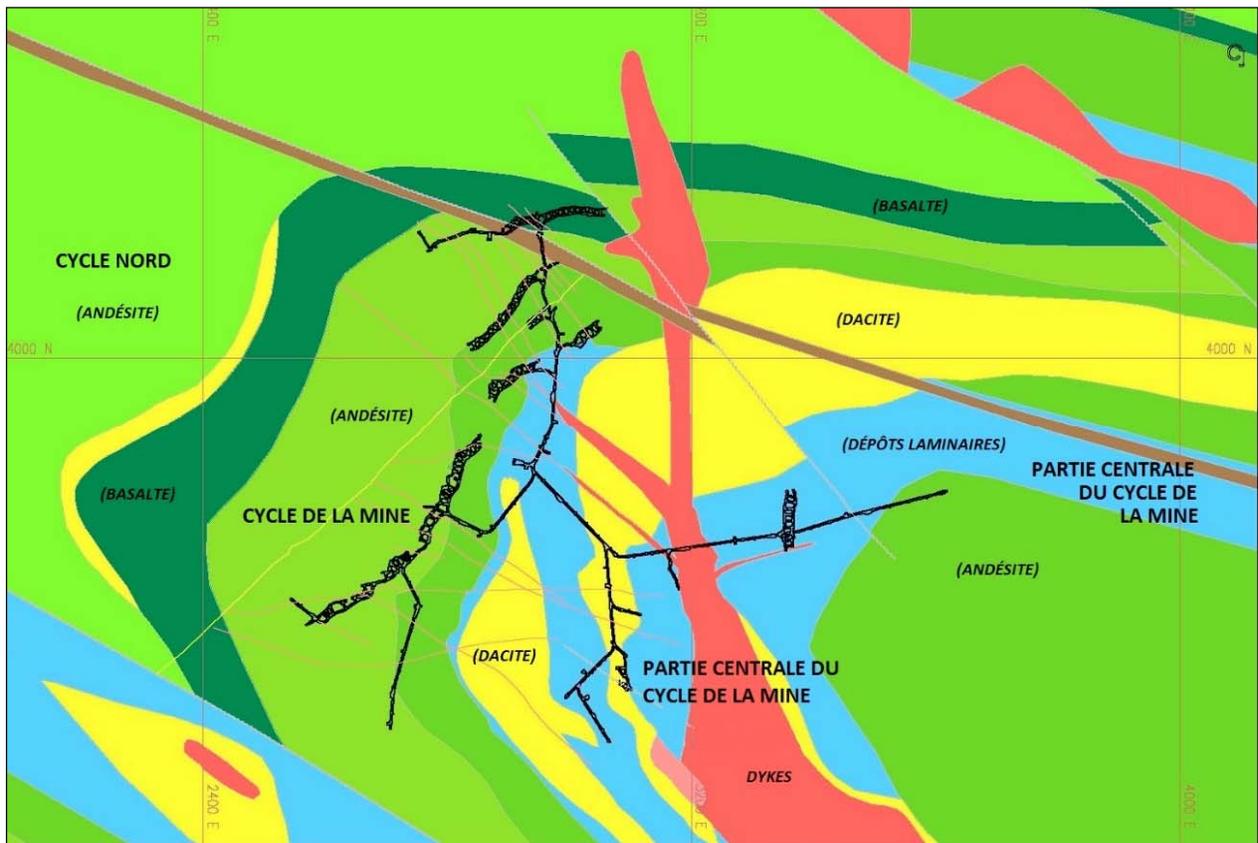
The indicated grade at Sleeping Giant is twice as high as the grade at Elder.

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/cm³ 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

Economic Study

An economic study was prepared by Mining Services PRB inc. This 43-101 report was signed by Mr Paul Bonneville, mining engineer. This report indicates one year of preparation followed by three years of production.

The economic study used a gold price of US \$1,200 per ounce and a rate of exchange of 1 US dollar into 1,25 Canadian dollars. The mining plan is for 325,000 tonnes of mineral reserves. The analysis before taxes indicates a cash flow of \$48.1M, a net present value discounted at 8% of \$39.4M and an internal rate of return of 240%. The capital recovery period is more sensitive to revenues than operating costs and capital costs.

Results after taxes indicate a cash flow of \$30M, a net present value discounted at 8% of \$24.6M and an internal rate of return of 184%. The capital recovery period before taxes is 0.7 year. At a gold price of US \$1,397 when the report was written, a rate of exchange of 1 US dollar = 1.31 CDN \$. The net revenue would be \$144.2M and the net present value would be \$62M.

Environment, permits, social impacts and closure plan

Mining leases and certificates of authorization are in order. Follow up environmental studies and control tests are made periodically as required by the federal and Quebec ministers of environment. Waste rock at the Sleeping Giant mine are not acid generating and do not leach heavy metals. The re-opening of the Sleeping Giant mine will have a positive economic impact on the region by the creation of about one hundred jobs and by the local purchase of supplies and services. A closing plan was updated and deposited with the ministry of Natural Resources of Quebec in October 2018. The closure and restoration cost of the mine is estimated at \$3.6M. An amount of about \$4.0M has already been deposited in trust with the ministry of Energy and Natural Resources of Quebec. No additional deposit is needed.

Start of work

In October 2019, plans were prepared, a few employees were hired and timber to repair shafts No 1 and No 2 was ordered.

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.

An update of the feasibility study was completed in 2019. See details hereafter.

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	6,823,532	57.76	3.11	4.24	8,074,162	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:

For 100% equity financing	2007	2018
	\$	\$
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 of 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.

2019 diamond drilling

A 7,000-meter drilling program was started in October 2019. The objective is to check the extension at depth of the mineralised zone. Funds received in the December 2018 and October 2019 private placements are available for this drilling.

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 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 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 F1 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>Au</u> <u>g/t</u>	<u>Ag</u> <u>g/t</u>	<u>Cu</u> <u>%</u>	<u>Zn</u> <u>%</u>
Indicated	347,890	1.46	73.97	0.52	9.78
Measured	<u>364,332</u>	<u>1.00</u>	<u>47.15</u>	<u>0.74</u>	<u>5.33</u>
	712,222	1.23	60.11	0.63	7.50
Indicated	<u>305,769</u>	<u>0.99</u>	<u>36.77</u>	<u>0.49</u>	<u>4.30</u>
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:

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

2019 drilling

Two additional holes will be drilled in the fall of 2019 to check the new zone found in 2018.

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

October 25, 2019