MINES
ABCOURT
MINES INC.

ABCOURT MINES INC.
ANNUAL FINANCIAL REPORT
YEARS ENDED JUNE 30, 2019 AND 2018

Raymond Chabot Grant Thornton
An instinct for growth™

Independent Auditor's Report

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To the Shareholders of
Mines Abcourt Inc.

Opinion

We have audited the financial statements of Abcourt Mines Inc. (hereafter "the Company"), which comprise the statement of financial position as at 30 juin 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 juin 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor’s responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter – Comparative information audited by a predecessor auditor

The financial statements of the Company for the year ended 30 juin 2018 were audited by another auditor who expressed an unmodified opinion on those statements on October 29, 2018.

Information other than the financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, included in management's discussion and analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained management's discussion and analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Berardi.

Raymond Chabot Grant Thornton LLP[1]

Montréal
October 25, 2019

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[1] CPA auditor, CA public accountancy permit no. A115879

ABCOURT MINES INC.

STATEMENTS OF FINANCIAL POSITION AS AT JUNE 30

(in Canadian dollars)

	Notes	2019	2018
		$	$
ASSETS			
Current assets			
Cash		2,796,149	2,531,099
Receivables	5	1,035,631	2,321,283
Prepaid expenses		70,259	72,797
Inventory	6	3,025,962	3,209,448
Tax credit relating to resources receivable		15,627	15,627
Total current assets		6,943,628	8,150,254
Non current assets			
Deposits for restoration	11	4,525,389	4,508,489
Property, plant and equipment	7	19,437,661	20,907,090
Exploration and evaluation assets	8	8,912,534	7,941,199
Deferred income and mining tax assets		2,357,185	-
Total non current assets		35,232,769	33,356,778
Total assets		**42,176,397**	41,507,032
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	4,653,998	4,159,492
Income taxes payable		769,491	1,507,314
Other liability	10	51,000	154,900
Total current liabilities		5,474,489	5,821,706
Provisions for restoration of mining sites	11	4,247,751	5,851,259
Deferred income and mining tax liabilities		1,680,000	-
Total liabilities		11,402,240	11,672,965
EQUITY			
Capital stock	12	43,696,519	42,921,032
Contributed surplus	13	7,086,035	7,049,135
Warrants	13	31,500	19,500
Deficit		(20,039,897)	(20,155,600)
Total Equity		30,774,157	29,834,067
Total liabilities and equity		**42,176,397**	41,507,032

ON BEHALF OF THE BOARD,

(s) Renaud Hinse, Director

(s) Christine Lefebvre, Chief Financial Officer

ABCOURT MINES INC.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED JUNE 30
(in Canadian dollars)

	Notes	2019	2018
		$	$
Revenues	15	25,667,846	26,078,354
Operating mining cost		21,246,386	20,177,854
Royalties		490,870	562,517
Amortization and depletion		3,584,266	1,754,965
Costs of sales		25,321,522	22,495,336
GROSS PROFIT		346,324	3,583,018
ADMINISTRATIVE CHARGES			
Part XII.6 & III.14 taxes		4,512	-
Professional fees		180,049	120,392
Interest and penalties on taxes		75,246	192,938
Bank charges		8,271	3,761
Salaries and payroll charges		281,036	211,423
Insurance costs		11,891	8,997
Office expenses and other charges		81,373	94,220
Shareholders and investor relations		121,748	108,349
Share-based compensation		32,000	-
Depreciation of property, plant and equipment		9,653	4,945
Total administrative charges		805,779	745,025
OPERATING EARNINGS (LOSS)		(459,455)	2,837,993
REVENUES AND FINANCE COSTS			
Interest income		(7,393)	(3,522)
Accretion expense		57,212	90,420
		49,819	86,898
EARNINGS (LOSS) BEFORE TAXES		(509,274)	2,751,095
Income taxes and deferred taxes recovery	16	(670,835)	1,335,487
NET EARNINGS AND TOTAL COMPREHENSIVE INCOME		161,561	1,415,608
NET EARNINGS 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

ABCOURT MINES INC.

STATEMENTS OFCHANGES IN EQUITY

(in Canadian dollars)

	Notes	Capital Stock	Warrants	Contributed Surplus	Déficit	Total Equity
		$	$	$	$	$
Balance as at June 30, 2018		**42,921,032**	**19,500**	**7,049,135**	**(20,155,600)**	**29,834,067**
Net earnings and comprehensive income		-	-	-	161,561	161,561
Options granted in relation with the plan	13	-	-	32,000	-	32,000
Units issued	12 - 13	108,000	12,000	-	-	120,000
Flow-through shares	12	667,487	-	-	-	667,487
Share and unit issuance costs		-	-	4,900	(45,858)	(40,958)
Balance as at June 30, 2019		**43,696,519**	**31,500**	**7,086,035**	**(20,039,897)**	**30,774,157**

	Notes	Capital Stock	Warrants	Contributed Surplus	Déficit	Total Equity
Balance as at June 30, 2017		**42,131,970**	**262,453**	**6,782,573**	**(21,515,380)**	**27,661,616**
Net earnings and comprehensive income		-	-	-	1,415,608	1,415,608
Warrants issued to intermediaries	12 - 13	-	-	4,109	(4,109)	-
Warrants expired	12 - 13	-	(262,453)	262,453	-	-
Units issued	12 - 13	182,250	19,500	-	-	201,750
Flow-through shares	12	606,812	-	-	-	606,812
Share and unit issuance costs		-	-	-	(51,719)	(51,719)
Balance as at June 30, 2018		**42,921,032**	**19,500**	**7,049,135**	**(20,155,600)**	**29,834,067**

ABCOURT MINES INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

(in Canadian dollars)

	Note	2019	2018
		$	$
OPERATING ACTIVITIES			
Net earnings and comprehensive income		161,561	1,415,608
Non-cash items:			
Accretion expense		57,212	90,420
Share-based compensation		32,000	-
Depreciation, Amortization and depletion		3,593,919	1,759,910
Deferred taxes		(832,085)	(67,363)
		3,012,607	3,198,575
Net change in non-cash operating working capital items	4	1,228,359	2,036,831
		4,240,966	5,235,406
FINANCING ACTIVITIES			
Units issuance		120,000	201,750
Flow-through shares issuance		718,487	793,462
Share issuance costs		(40,958)	(51,719)
		797,529	943,493
INVESTING ACTIVITIES			
Tax credits relating to resources received		-	8,788
Deposit for restoration of Elder mine		(16,900)	-
Acquisition of property, plant and equipment		(3,785,210)	(4,427,383)
Acquisition of exploration and evaluation assets		(971,335)	(518,675)
		(4,773,445)	(4,937,270)
NET CHANGE IN CASH		265,050	1,241,629
CASH BEGINNING OF YEAR		2,531,099	1,289,470
CASH END OF YEAR		2,796,149	2,531,099

(in Canadian dollars)

1- STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

Abcourt Mines Inc. (the « Company ») was constituted by letters patent of amalgamation in January 1971 and continued its existence under Part 1A of the Quebec Companies Act in March 1981. On February 14, 2011, the Company was automatically continued under Business Companies Act (Quebec) following the entry into force of this law. The Company is engaged in the acquisition, exploration, evaluation and exploitation of mining properties in Canada, principally gold. Its shares are trading on TSX Venture Exchange under the symbol ABI, on Berlin Stock Exchange under the symbol AML-BE and on Frankfurt Exchange under the symbol AML-FF. The address of the Company's head office is 475 de l'Eglise Avenue, Rouyn-Noranda, (Quebec) J0Z 1Y0.

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

2- NEW OR REVISED STANDARDS OR INTERPRETATIONS

2.1 New standards

IFRS 15, Revenue form Contracts with Customers

IFRS 15, Revenue from Contracts with Customers replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services.

The standard provides a single model for customer contracts and two approaches to revenue recognition: at a given time or over time. The proposed model consists of a five-step, contract-based analysis of transactions to determine whether, how much and when revenue is recognized. New thresholds have been introduced for estimates and judgments, which could impact the amount of revenue recognized and/or the timing of its recognition.

On July 1, 2018, the Company adopted IFRS 15 retrospectively and therefore revised its revenue recognition policy in accordance with the requirements of IFRS 15. Management has concluded that, based on its current operations, the adoption of IFRS 15 does not have a material impact on the Company's financial statements.

IFRS 9, Financial Instruments

On July 1, 2018, the Company adopted IFRS 9 retrospectively with the restatement of comparative data in accordance with the transitional provisions of IFRS 9. The standard introduces new requirements for the classification and measurement of financial assets and liabilities, including impairment. IFRS 9 defines the requirements for the recognition of financial assets and liabilities and replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model.

Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured based on two categories: amortized costs or FVTPL.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Assets/Liabilities	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost

2.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorization for publication of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

2- NEW OR REVISED STANDARDS OR INTERPRETATIONS (continued)

2.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation addressed specifically the following items:

a) Whether an entity should consider uncertain tax treatments separately;

b) Assumptions made by an entity about the review of tax treatments by tax authorities;

c) How an entity determines taxable income, tax bases, unused tax losses, unused tax credits and tax rates; and

d) How an entity considers changes in facts and circumstances

The Company intends to adopt the standard in its financial statements for the annual period beginning on July 1,2019. The extent of the impact of adoption of the standard has not yet been determined.

3- SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements of Abcourt Mines Inc. were prepared by management in accordance with International financial reporting standards (« IFRS ») effective as at June 30, 2019. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

Functional Currency

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

Currency Conversion

The financial statements of the Company are reported in Canadian currency, which is the functional currency. Transactions in foreign currencies are translated at the exchange rates prevailing at the time they are made. At each closing date, assets and liabilities denominated in foreign currencies are converted at closing. Exchange differences resulting from transactions are recorded in the income statement for the period. Exchange differences relating to operating activities are recorded in earnings for the period; exchange differences related to financing transactions are recognized in loss or in equity.

Tax Credit Relating to Resources

The Company is entitled to a tax credit relating to resources of 12% on eligible exploration and evaluation expenses incurred in the province of Quebec. These amounts are based on estimates made by management and if the Company is reasonably certain that they will be received. At this time, tax credit relating to resources and mining duties credit are recorded as a reduction of exploration and evaluation expenses.

Inventory

Inventories consist of gold and silver ingots (gold and silver ingots and in circuit ore) ore stockpiles, and mine supplies. Inventories are carried at the lower of cost and net realizable value. The cost of the gold and silver ingots and ore stockpiles is determined using the weighted average cost based on the normal production capacity. The cost of gold and silver ingots and ore stockpiles includes all costs incurred in bringing each product to its present location and condition. Cost of the mine supplies is determined using the first in, first out cost method. Cost of gold and silver ingots and the ore stockpiles includes direct costs of materials and labour related directly to mining and processing activities and production process and directly attributable overhead costs.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses.

Revenue Recognition

Revenue arises mainly from the sale of gold and silver ingots and milling revenue.

Revenue from the sale of gold and silver ingots is recognized when control of the gold and silver ingots has transferred to the customer. This is when there is a binding agreement to sale the gold and silver ingots to the customer at a specific price and the Company gave irrevocable instruction to the refiner to deliver the gold and silver ingots to the customer. Following the transmission of the instruction to deliver the gold and silver ingots, the customer has control and the Company has no further unrealized obligations affecting the acceptance of the product. Payment is due and generally received on settlement date.

Milling revenue is recorded when the ore processing service is rendered by the Company, accepted by the client and collection is reasonably assured. The performance obligations are satisfied when the milling services have been completed. At this point in time, the Company physically transfers the milling products and the significant risks and rewards related to the metals to customers.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets

Exploration and evaluation expenses are costs incurred in the course of initial search for mineral deposits with economic potential. Expenditures incurred before the entity has obtained the legal rights to explore a specific area are recognized as expenses.

Costs related to the acquisition of mining properties and to exploration and evaluation expenditures are capitalized by property until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrated, exploration and evaluation assets are reclassified as mining assets under development in property, plant and equipment. Exploration and evaluation assets are assessed for impairment before reclassification, and any impairment loss is recognized.

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

Mining Properties Option Agreements.

Options on interests in mining properties acquired by the Company are recorded at the value of the consideration paid, including other benefit given up but excluding the commitment for future expenditures. Commitment for future expenditures does not meet the definition of a liability and thus are not accounted for immediately. Expenditures are accounted for only when incurred by the Company.

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

Impairment of Long-lived Assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

The Company reconsiders periodically facts and circumstances that require testing exploration and evaluation assets for impairment. When facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount, the asset is tested for impairment. Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken typically when one of the following circumstances apply: the right to explore the areas has expired or will expire in the near future with no expectation of renewal; no further exploration or evaluation expenditures in the area are planned or budgeted; no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area; sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

When the recoverable amount of an exploration and evaluation asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss. The recoverable amount is the higher of fair value less costs for sale and value in use of the asset (present value of the future cash flows expected).

An impairment charge is reversed if the asset's recoverable amount exceeds its carrying amount.

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

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization and accumulated impairment losses.

Historical cost includes expenditures that are directly attributable to the acquisition or construction of the asset, any other cost directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably

(in Canadian dollars)

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

Mining site in development

Expenditures incurred on properties identified as having commercial viability and economic benefits are capitalized as property, plant and equipment under this category and are not amortised. Costs includes all mine development expenditures necessary to bring the property to commercial production and are accounted for net of secondary products generated during the advanced exploration phase. Upon commencement of commercial production, advanced exploration costs are transferred to the various categories of property, plant and equipment of mining sites in production and are depleted.

Depletion of mining sites in production

Property, plant and equipment of mining sites in production are depleted according to the units-of-production method to write down the cost to estimated residual value, except in the case of assets whose useful live is shorter than the life of the mine, in which case, the straight-line method and/or declining method is applied. In 2018, the depletion rate of the Elder mine and the Sleeping Giant mill was calculated in accordance with the number of tonnes of ore extracted and treated using the estimated mineral resources. The estimated period of depletion is determined according to the estimated mineral resources of each mining site in production. In 2019, in order to better reflect the estimated period during which this mine will remain in production, the Company changed the depletion estimation methodology of the Elder mine. Since then, the depletion rate of the mine is calculated in accordance with the number of ounces of gold sold using measured and indicated resources. The depletion calculation also takes into account future developments and equipment costs necessary to access these resources. This change in methodology is considered a change in estimate and has been accounted for prospectively from July 1, 2018. The effect of this change in estimate was an increase of the depletion expense by $1.2 million for the year ended June 30, 2019. As at June 30 2019, it was impracticable for the Company to determine the impact of this change in accounting estimate on future periods.

Depreciation– other property, plant and equipment

Depreciation of an asset begins when it is available for use, i.e. when it is in the location condition necessary for it to be capable of operating in the manner intended by management. The property, plant and equipment are depreciated according to the estimated useful life of the asset using linear or declining balance method and at the following rates:

Mobile equipment	Linear 20% Declining balance 30%
Equipment and furniture	Linear 20%
Computer equipment	Linear 30%

The estimated useful life, residual values, the mineral resources and depreciation method are reviewed at the end of each financial year-end and the impact of any change in estimates is recognized prospectively.

Equipment for the mill, the water treatment plant and the expenses incurred for the tailings pond of the Abcourt Barvue site are not amortized because they are not ready for use. Costs related to land are not amortized.

Upon disposal or abandonment, the carrying amounts of property, plant and equipment are derecognized and any associated gains or losses are recognized in net earnings.

Financial Instruments

Recognition, initial measurement and derecognition

Financials assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Classification and initial measurement

Financial assets are measured initially at fair value adjusted for transaction costs, where appropriate.

Financial assets are classified into the following categories:

- At amortized cost

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within revenue and finance costs.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The cash, receivables and other receivables fall into this category of financial instruments.

Depreciation of financial assets

The impairment provisions in IFRS 9 use more forward-looking information, the expected credit loss model, which replaces the IAS 39 loss model.

The recognition of credit losses is no longer dependent on the identification of credit loss event by the Company. Rather, it must take into account an expanded range of information for assessing credit risk and assessing expected credit losses, including: past events, current circumstances, reasonable and justifiable forecasts that affect expected recoverability of future cash flows of the financial instrument.

The estimate of expected credit losses is determined at each reporting date to reflect changes in credit risk since the initial recognition of the related financial asset.

Receivables and other receivables

The Company makes use of a simplified approach in accounting for receivables and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities (except salaries and holidays payable and due to governments).

Financial liabilities are measured initially at fair value adjusted for transaction costs, where appropriate. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within finance costs, if applicable.

Provision and Contingent Liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Provisions for Restoration of Mining Sites

The Company is subject to environmental laws and regulations enacted by federal and provincial authorities. As of the reporting date, management believes that the Company’s operations are in compliance with current laws and regulations. To take into account the estimated cash flows required to settle its obligations arising from environmentally acceptable closure plans (such as dismantling and demolition of infrastructures, removal of residual matter and site restoration), provisions are recognized in the year, when the Company has an actual restoration mining site obligation and it is likely that an outflow will be required in settlement of the obligation and the obligation is reasonably determinable. These provisions are determined on the basis of the best estimates of future costs, based on information available on the reporting date.

3- **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Provision and Contingent Liabilities (continued)

Provisions for restoration of Mining Sites (continued)

Future costs are discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability. A corresponding asset is recognized in the related mining asset when establishing the provision.

The provision is reviewed annually to reflect changes in the estimated outflow of resources as a result of changes in obligations or legislation, changes in the current market-based discount rate or an increase that reflects the passage of time. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing or the amount of the original estimate of the undiscounted cash flows are accounted for as part of the carrying amount of the related long-lived asset. Costs of restoration of mining sites are deducted from the provision when incurred (see note 11).

Share-based Compensation

The Company operates an equity-settled share-based remuneration plan (share options plan) for its eligible directors, officers, employees and consultants. The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. In that case the fair value of goods and services received will be valued according to the fair value of the equity instrument granted. Where employees or third-party providing services similarly to those of employees, are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except for warrants and options issued to brokers and intermediaries) are ultimately recognized as an expense in the profit or loss, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Warrants and options issued to brokers and intermediaries are recorded as issuance cost of financial equity instruments and the counterpart as contributed surplus within equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Capital Stock

Capital stock represents the amount received on the issue of shares. When shares are issued, following the exercise of share options or warrants, this item also includes the compensation recognized previously to contributed surplus and warrants.

Unit Placements

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

Flow-through Shares

The Company considers that the issue of flow-through shares is in substance an issue of common shares and the sale of tax deductions to the benefit of investors. The proceeds received of flow-through placements are allocated between share capital and other liability using the residual method. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liability in the statement of financial position. When eligible expenditures are incurred (as long as there is the intention to renounce them), the sale of tax deductions is recognized in the income statement as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

Other Elements of Equity

Contributed surplus includes charges related to share purchase options until such equity instruments are exercised and charges related to warrants expired. When options are exercised, corresponding compensation costs are transferred to capital stock.

Warrants included expenses relating to warrants until the exercise of the warrants. When the warrants are exercised corresponding compensation are transferred to capital stock. When the warrants are expired, the corresponding charges are transferred to contributed surplus.

Deficit includes all current and prior period retained profits or losses, less issuance costs net of any income tax benefit on the related issuance expenses.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and Diluted Income Per Share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to class « B » shares holders of the Company by the weighted average number of class « B » shares outstanding during the period. Diluted earnings per share is calculated by adjusting income (loss) attributable to class « B » shares holders of the Company, and the weighted average number of class « B » shares outstanding, for the effects of all dilutive potential class « B » shares which include share purchase options and warrants. Dilutive potential class « B » shares shall be deemed to have been converted into class « B » shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential class « B » shares.

See note 13 for the information on the dilutive potential share purchase options and warrants outstanding

Income Taxes and Deferred Taxes

Tax expenses recognized in profit or loss comprises the sum of current tax and deferred tax not recognized directly in equity. Tax expenses include also mining taxes.

Current tax is payable on taxable profit, and is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax is measured, without discounting, at the tax rates that are expected to be applied to temporary differences when they will reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year and which, expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or loss in the year that includes the enactment date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset only when the Company has a right and intentions to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, or directly in equity, in which case the related deferred tax is also recognized in equity.

Segment Disclosures

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and the Board of Directors.

The Company operates a producing gold mine as well as the acquisition, the exploration and the evaluation of mining properties. All of the Company’s activities are conducted in Canada.

The Company determined that there are two segments, being the producing of a gold mine and the acquisition, exploration and evaluation of mining properties (See note 20).

Significant Accounting Judgments, Estimates and Assumptions

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

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

Key sources of uncertainty for estimations

a) Basis of depletion of mining sites in production

The mining sites in production are depleted according to the units-of-production method to write down the cost to residual value. Management estimates the residual value of property, plant and equipment. The depletion rate is based on the Company’ s mineral resources, in ounces and in tonnes. The mineral resources are estimates of the amount of ore that can be extracted form the Company’s properties. The estimating of mineral resources is a subjective process and the accuracy of the mineral resources is a function of the quantity and quality of available data, and the assumptions used and judgments made interpreting geological model. Changes in the assumptions used in estimating the mineral resources may affect the net value of property, plant and equipment, Provisions for restoration of mining sites and the amortization and depletion expense.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

b) Impairment of exploration and evaluation assets

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals. No impairment was recognized during the year ended June 30, 2019 and 2018.

c) Impairment of Property, Plant and Equipment

Determining if there are any facts and circumstances indicating impairment losses or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases.

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. No impairment was recognized during the years ended June 30, 2019 and 2018.

d) Valuation of credit relating to resources and mining duties credit

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

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

The amounts recognized in the financial statements are derived from the Company's best estimation and management's judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore have an impact on the Company's financial position and its cash flows. In September 2016, the Company received notices of new assessment from the Quebec tax authorities, regarding the tax credit relating to resources and mining duties credit for the fiscal years ended 2011, 2012, 2013 and 2014. The management of the Company is contesting these new assessment decisions. The Quebec tax authorities dismissed the opposition. The Company appeals the Quebec tax authority's decision.

e) Provisions for restoration of mining sites

The Company assesses its provisions for restoration of mining sites annually. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimate of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of maintenance and restoration measures and changes in the discount rate. These uncertainties may lead to differences between the actual expense and the allowance.

f) Share-based Compensation

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

Critical judgments in applying accounting policies

a) Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. As at June 30, 2019, an amount of $2,357,185 was recognized as deferred tax assets and an amount of $1,680,000 was recognized as deferred mining tax liability (See note 16)

(in Canadian dollars)

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

b) Start of commercial production

Management assesses the stage of completion of each advanced exploration project to determine when it begins commercial production. The Company considers a number of criteria to determine when a mine enters into commercial production, thereby resulting in reclassification from exploration and evaluation assets to mine. The following criteria are used:

- Production capacity and continuity achieved;
- Recovered grade;
- Stage of completion of development work.

4- COMPLEMENTARY INFORMATIONS RELATED TO CASH FLOWS

Net change in non-cash operating working capital items:

	2019	2018
	$	$
Receivables	1,285,652	306,363
Prepaid expenses	2,538	16,478
Inventory	183,486	(102,798)
Accounts payable and accrued liabilities	494,506	537,346
Income taxes payable	(737,823)	1,279,442
	1,228,359	2,036,831

In 2019, the company paid income taxes of $905,954 ($229,691 IN 2018).

Items not affecting cash :

	2019	2018
	$	$
Warrants issued to Intermediaries	4,900	4,109
Adjustments of provisions for restoration of mining sites accounted for as property, Plant and Equipment	(1,660,720)	(113,928)
Tax credit relating to resources adjusment accounted for in exploration and evaluation assets	-	12,212
Tax credit relating to resources accounted for in exploration and evaluation assets	-	6,380
Warrants issued to investors	12,000	19,500

(in Canadian dollars)

5- RECEIVABLES

	2019	2018
	$	$
Account receivable	70,838	1,257,558
Taxes receivable	943,637	1,043,593
Others	21,156	20,132
	1,035,631	2,321,283

Note 18.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

6- INVENTORY

	2019	2018
	$	$
Gold and silver inventory	1,299,456	1,125,770
Ore stock piles	817,344	1,369,443
Mine supplies	909,162	714,235
	3,025,962	3,209,448

(in Canadian dollars)

7- PROPERTY, PLANT AND EQUIPMENT

	Cost				Accumulated Amortization			**2019** Net book value
	June 30, 2018	Addition	Provisions for restoration of mining sites adjustment	June 30, 2019	June 30, 2018	Amortization	June 30, 2019	
	$	$		$	$	$	$	$
Abcourt-Barvue Site								
Equipment for mill	2,702,476	-	-	2,702,476	-	-	-	2,702,476
Water treatment plant	76,628	-	-	76,628	-	-	-	76,628
Expenses incurred for the tailings pond	40,728	-	-	40,728	-	-	-	40,728
	2,819,832	-	-	2,819,832	-	-	-	2,819,832
Elder Mine Site								
Lands	37,263	-	-	37,263	-	-	-	37,263
Mobile equipment	61,920	28,000	-	89,920	59,832	7,353	67,185	22,735
Furniture and equipment	1,950,566	133,093	-	2,083,659	1,006,960	183,725	1,190,685	892,974
Elder mine	13,035,086	2,073,034	21,274	15,129,394	2,014,805	2,833,652	4,848,457	10,280,937
Computer equipment	-	6,921		6,921	-	1,052	1,052	5,869
	15,084,835	2,241,048	21,274	17,347,157	3,081,597	3,025,782	6,107,379	11,239,778
Sleeping Giant Mine Site								
Sleeping Giant Mine	2,027,600	1,290,698	(1,681,994)	1,636,304	-	-	-	1,636,304
Mill facility and production equipment	3,840,247	237,964	-	4,078,211	523,015	439,180	962,195	3,116,016
Building	491,054	-	-	491,054	71,216	52,820	124,036	367,018
Lands	19,000	-	-	19,000	-	-	-	19,000
Mobile equipment	347,927	13,315	-	361,242	115,192	70,785	185,977	175,265
Computer equipment	14,964	2,185	-	17,149	2,349	5,352	7,701	9,448
	6,740,792	1,544,162	(1,681,994)	6,602,960	711,772	568,137	1,279,909	5,323,051
	24,645,459	3,785,210	(1,660,720)	26,769,949	3,793,369	3,593,919	7,387,288	19,382,661

(in Canadian dollars)

7- PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost				Accumulated Amortization			2019 Net book value
	June 30, 2018	Addition	Provisions for restoration of mining sites adjustment	June 30, 2019	June 30, 2018	Amortization	June 30, 2019	
	$	$	$	$	$	$	$	$
Exploration								
Lands	55,000	-	-	55,000	-	-	-	55,000
	55,000	-	-	55,000	-	-	-	55,000
	24,700,459	3,785,210	(1,660,720)	26,824,949	3,793,369	3,593,919	7,387,288	19,437,661

(in Canadian dollars)

7- PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost			Accumulated Amortization			2018 Net Book value
	June 30, 2017	Addition	June 30, 2018	June 30, 2017	Amortization	June 30, 2018	
	$	$	$	$	$	$	$
Abcourt-Barvue Site							
Equipment for mill	2,702,476	-	2,702,476	-	-	-	2,702,476
Water treatment plant	7, 628	-	76,628	-	-	-	76,628
Expenses incurred for the tailings pond	40,728	-	40,728	-	-	-	40,728
	2,819,832	-	2,819,832	-	-	-	2,819,832
Elder Mine Site							
Lands	37,263	-	37,263	-	-	-	37,263
Mobile equipment	61,920	-	61,920	58,937	895	59,832	2,088
Furniture and equipment	1,654,590	295,976	1,950,566	812,828	194,132	1,006,960	943,606
Elder mine	10,727,101	2,307,985	13,035,086	857,322	1,157,483	2,014,805	11,020,281
	12,480,874	2,603,961	15,084,835	1,729,087	1,352,510	3,081,597	12,003,238
Sleeping Giant Mine Site							
Sleeping Giant Mine	844,558	1,183,042	2,027,600	-	-	-	2,027,600
Mill facility and production equipment	3,523,530	316,717	3,840,247	224,078	298,937	523,015	3,317,232
Building	491,054	-	491,054	32,462	38,754	71,216	419,838
Lands	19,000	-	19,000	-	-	-	19,000
Mobile equipment	244,389	103,538	347,927	47,832	67,360	115,192	232,735
Computer equipment	-	14,964	14,964	-	2,349	2,349	12,615
	5,122,531	1,618,261	6,740,792	304,372	407,400	711,772	6,029,020
	20,423,237	4,222,222	24,645,459	2,033,459	1,759,910	3,793,369	20,852,090

(in Canadian dollars)

7- PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost			Accumulated Amortization			**2018** Net Book value
	June 30, 2017 $	Addition $	June 30, 2018 $	June 30, 2017 $	Amortization $	June 30, 2018 $	$
Exploration							
Lands	-	55,000	55,000	-	-	-	55,000
	-	55,000	55,000	-	-	-	55,000
	20,423,237	4,277,222	24,700,459	2,033,459	1,759,910	3,793,369	20,907,090

(in Canadian dollars)

8- EXPLORATION AND EVALUATION ASSETS

	2019	2018
	$	$
Mining properties	1,959,160	1,935,394
Exploration and evaluation expenses	6,953,374	6,005,805
	8,912,534	7,941,199

Mining properties

	Balance as at June 30, 2018	Addition	Balance as at June 30, 2019
	$	$	$
Properties in Quebec			
Abcourt-Barvue (100 %)	226,132	8,227	234,359
Vendôme (100 %)	97,323	4,923	102,246
Royalty on Beauchastel property	100	-	100
Aldermac (100 %)	1,566,057	516	1,566,573
Jonpol (100 %)	1,451	1,108	2,559
Discovery - Flordin	7,427	7,252	14,679
Dormex - Harricana	6,529	1,412	7,941
Laflamme	4,364	-	4,364
Others (Variable %)	26,011	328	26,339
	1,935,394	23,766	1,959,160

	Balance as at June 30, 2017	Addition	Balance as at June 30, 2018
	$	$	$
Properties in Quebec			
Abcourt-Barvue (100 %)	221,886	4,246	226,132
Vendôme (100 %)	94,759	2,564	97,323
Royalty on Beauchastel property	100	-	100
Aldermac (100 %)	1,565,670	387	1,566,057
Jonpol (100 %)	1,451	-	1,451
Discovery - Flordin	6,453	974	7,427
Dormex - Harricana	5,055	1,474	6,529
Laflamme	4,364	-	4,364
Others (% variables)	24,305	1,706	26,011
	1,924,043	11,351	1,935,394

Exploration and evaluation expenses

	Balance as at June 30, 2018	Addition	Balance as at June 30, 2019
	$	$	$
Abcourt-Barvue,	4,829,444	409,728	5,239,172
Vendôme	205,510	422	205,932
Aldermac	754,668	87,484	842,152
Discovery - Flordin	34,483	447,052	481,535
Dormex - Harricana	176,048	2,633	178,681
Others (Variable %)	5,652	250	5,902
	6,005,805	947,569	6,953,374

(in Canadian dollars)

8- EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation expenses (continued)

	Balance as at June 30, 2017	Addition	Tax credit relating to resources	Balance as at June 30, 2018
	$	$	$	$
Abcourt-Barvue	4,551,132	266,100	12,212	4,829,444
Vendôme	204,607	903	-	205,510
Aldermac	705,881	48,787	-	754,668
Discovery-Flordin	31,029	3,454	-	34,483
Dormex	-	182,428	(6,380)	176,048
Autres (% variable)	-	5,652	-	5,652
	5,492,649	507,324	5,832	6,005,805

The following Royalties are payable on the production of the Company's properties:

Property	Royalty
Elder	2 to 3% NSR
Barvue	-
Vendome	2% NSR on Xstrata claims
Abcourt	-
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

9- ACCOUNTS PAYABLE AND ACCRUED LIABILITIE

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

10- OTHER LIABILITY

	2019	2018
	$	$
Balance, beginning of year	154,900	35,613
Increase of the year	51,000	186,650
Decrease related to expenses incurred	(154,900)	(67,363)
Balance, end of year	51,000	154,900

(in Canadian dollars)

11- PROVISIONS FOR RESTORATION OF MINING SITES

The following table sets forth the variation in the provisions for restoration of mining sites

	2019	2018
	$	$
Balance, beginning of period	5,851,259	5,911,000
Changes to estimates	(1,660,720)	(150,161)
Accretion expense	57,212	90,420
Balance, end of year	4,247,751	5,851,259

The rate used to determine the future value is 2,20% (2% as at June 30, 2018), while the rate reflecting the current market assessments used to determine the present value of the provisions is 1.41% (1.91% and 2.06% as at June 30, 2018). The payments schedule was determined by taking into account the measured and indicated resources, the estimated annual production level and the estimated mine life. The changes to estimates was accounted for as property, plant and equipment.

The schedules of the estimated cash flows of future retirement costs of the Elder and Sleeping Giant mines were revised to take into account their updated estimated resources, their estimated mine life and change in future retirement costs of the Sleeping Giant mine. .

In relation with the Sleeping Giant mine rehabilitation and restoration plan of 2013 (« the 2013 plan »), the Company was required to make guarantee payments to the Ministry of Energy and Natural Resources (« the Ministry ») according to the following schedule: $671,121 by August 17, 2016 and two other payments of $335,638 were required for August 17, 2017 and 2018. The 2013 plan estimated the restoration costs at $5,370,214. To date an amount of $4,027,817 has been paid to the Ministry. A new rehabilitation and restoration plan (“the new plan”) was prepared by a consultant and submitted to the Ministry in October 2018. The new plan is presently under review. The restoration costs of the new plan are estimated at $3,625,865. The Elder mine tailings are basic and will be used to cover the Sleeping Giant mine tailings this will reduce considerably the future restoration costs of the mine site. If the new plan is accepted, the Company won’t have to disburse any additional amount.

The following table sets forth the estimated undiscounted cash flows of future retirement costs used in the calculation of the asset retirement obligations as at June 30, 2019 and 2018.

	Anticipated cash flows payment schedule for 2026
	$
Elder Mine	497,570
Sleeping Giant Mine	3,625,865
	4,123,435

The following table sets forth the distribution of Provisions for restoration of mining sites:

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

(in Canadian dollars)

12- 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 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	8,851,100	667,487	9,334,852	606,812
Balance, end of period	300,967,171	43,696,519	288,703,071	42,921,032

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

During the year, 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.

During the year, 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.

Year ended June 30, 2018

In December 2017, 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 $19,500.

In December 2017, the Company closed a flow-through private placement of 9,334,852 flow-through shares. The total gross proceeds of $793,462 was presented net of a premium on flow-through shares of $186,650.

13- 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.

(in Canadian dollars)

13- SHARE PURCHASE OPTIONS AND WARRANTS (continued)

Share Purchase Options

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	(1,400,000)	0.12	(300,000)	0.10
Outstanding and exercisable, end of period	7,200,000	0.12	7,800,000	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.

The following tables summarize the information related to the share purchase options granted under the plan

Outstanding as at June 30, 2019	Weighted average remaining contractual life	Exercise price
		$
150,000	0.3 year	0.125
6,250,000	2.0 years	0.125
800,000	4.5 years	0.07
7,200,000		

Outstanding as at June 30, 2018	Weighted average remaining contractual life	Exercise price
		$
300,000	0.6 year	0.10
800,000	0.7 year	0.125
6,700,000	3 years	0.125
7,800,000		

(in Canadian dollars)

13- SHARE PURCHASE OPTIONS AND WARRANTS (continued)

Warrants

Changes in Company warrants were as follows:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Balance, beginning of period	1,345,000	0.10	12,745,000	0.13
Granted	1,000,000	0.10	1,345,000	0.10
Expired	-	-	(12,745,000)	0.13
Outstanding and exercisable, end of period	2,345,000	0.10	1,345,000	0.10

During the year, the Company issued warrants to investors through private placements. The weighted average fair value of the warrants of $0.012 ($0.0145 as at June 30, 2018) was determined using the Black-Scholes options pricing model and based on the following weighted average assumptions:

	2019	2018
Average share price at date of grant	$0.065	$0.065
Expected dividends yield	-	-
Expected weighted volatility	66%	62%
Average risk-free interest rate	1.81%	1.77%
Expected average life	2 years	2 years
Average exercise price	$0.10	$0.10

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.

The following tables summarize the information related to the warrants.

Outstanding as at June 30, 2019	Exercise price	Expiry Date
	$	
1,345,000	0.10	December 2019
1,000,000	0.10	December 2020
2,345,000		

Outstanding as at June 30, 2018	Exercise price	Expiry Date
	$	
1,345,000	0.10	December 2019
1,345,000		

Warrants to intermediaries

Changes in Company intermediaries' warrants were as follows:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Balance, beginning of period	261,694	0.10	-	-
Granted	380,768	0.10	261,694	0.10
Outstanding and exercisable, end of period	642,462	0.10	261,694	0.10

(in Canadian dollars)

13- SHARE PURCHASE OPTIONS AND WARRANTS (continued)

Warrants to intermediaries (continued)

During the year, the Company issued warrants to intermediaries through private placements. The weighted average fair value of the warrants of $0.0129 ($0.0157 as at June 30, 2018) was determined using the Black-Scholes options pricing model and based on the following weighted average assumptions:

	2019	2018
Average share price at date of grant	$0.07	$0.065
Expected dividends yield	-	-
Expected weighted volatility	76%	66%
Average risk-free interest rate	1.91%	1.66%
Expected average life	1 year	2 years
Average exercise price	$0.10	$0.10

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

The total faire value of the units issued to intermediaries of $4,900 was accounted for as share issued expenses in deficit and credited to contributed surplus.

The following table summarizes the information related to intermediaries' warrants.

Outstanding as at June 30, 2019	Exercise price	Expiry Date
	$	
642,462	0.10	December 2019

Outstanding as at June 30, 2018	Exercise price	Expiry Date
	$	
261,694	0.10	December 2019

14- 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 form 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.

15- REVENUES

	2019	2018
	$	$
Sales of gold and silver	24,110,906	26,044,120
Milling revenue	1,031,000	-
Other revenue	525,940	34,234
	25,667,846	26,078,354

(in Canadian dollars)

16- INCOME TAXES AND DEFERRED TAXES

Income taxes and deferred taxes expenses consists of:

	2019	2018
	$	$
Mining taxes	161,250	1,402,850
Deferred taxes and deferred mining taxes recovery	(832,085)	(67,363)
	(670,835)	1,335,487

The reconciliation of the income tax expense calculated using the combined federal and Quebec provincial statutory tax rate to the income tax expense per the financial statements is as follows:

	2019	2018
	$	$
Earnings (loss) before taxes	(509,274)	2,751,095
Income taxes at combined rate of 26,65% (26,75 % in 2018)	(135,722)	735,918
Temporary differences unrecognized	(851,031)	(912,102)
Share-based compensation	8,528	-
Tax effect of issuance of flow-through shares	177,885	100,439
Fulfillment of obligations related to flow-through financings	(154,900)	(67,363)
Deductible mining taxes	(44,555)	-
Non deductible expenses and others	167,710	75,745
Mining taxes	161,250	1,402,850
Income taxes and deferred taxes recovery	(670,835)	1,335,487

Deferred income and mining tax assets (liabilities)	**2018**	**Recognized in net income**	**2019**
	$	$	$
Property, plant and equipment	(2,930,526)	147,727	(2,782,799)
Losses carried forward	1,373,110	(52,041)	1,321,069
Exploration and evaluation assets	1,557,416	2,232,679	3,790,095
Share issue expenses	-	28,820	28,820
Deferred mining taxes	-	(1,680,000)	(1,680,000)
Total deferred income and mining tax assets recognized	-	677,185	677,185
Fulfillment of obligations related to flow-through financings	-	154,900	-
Variation of deferred income tax in the statement of comprehensive income	-	832,085	677,185

Deferred income tax assets	2,357,185
Deferred mining taxes liabilities	(1,680,000)
	677,185

(in Canadian dollars)

16- INCOME TAXES AND DEFERRED TAXES (continued)

The company has the following temporary differences for which no deferred tax assets have been recorded :

	Fédéral	Québec	Quebec Mining Duties
	$	$	$
Exploration and evaluation assets	3,830,270	256,978	-
Capital losses	2,227,563	2,227,563	-
Provisions for restoration of mining sites	252,344	252,344	252,344
	6,310,177	2,736,885	252,344

17- RELATED PARTY TRANSACTIONS

Key Management

Key management personnel of the Company are members of the Board, as well as the President and the Chief Financial Officer.

Key management remuneration is as follows:

	2019	2018
	$	$
Salaries and payroll charges	101,596	43,116
Share-based compensation	32,000	-
Total remuneration	133,596	43,116

Other related party transactions

In addition to the amounts listed above in the remuneration to key management, following are the related party transactions for the period ended June 30, 2019 and 2018:

Transactions with a company controlled by the Chief Executive Officer and President of the Company

- Consulting fees amounting to $379,256 ($374,534 as at June 30, 2018) of which $56,407 ($38,836 as at June 30, 2018) was capitalised to exploration and evaluation expenses and $nil to property, plant and equipment ($60,845 as at June 30, 2018) and $273,470 ($244,649 as at June 30, 2018) was expensed to operating mining costs and $49,379 ($30,204 as at June 30, 2018) to charges.
- Payments of a royalty of $481,224 (2% NSR on the Elder property which was acquired from « Canuc Resources Company » in 2001) ($519,193 as at June 30, 2018).

Professional fees and disbursements of $34,374 ($36,784 as at June 30, 2018) have been paid to the Corporate Secretary of which $ 16,266 ($16,587 as at June 30, 2018) was recorded in professional fees, $9,582 ($6,563 as at June 30, 2018) in shareholders and investor relations and $8,526 ($13,634 as at June 30, 2018) in share issue expenses..

As at June 30, 2019, the balance due to related parties amounted to $265,822 ($305,079 in 2018). These transactions are measured at the value of the consideration paid or received, which was established and agreed by the related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash.

18- FINANCIAL INSTRUMENTS 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.

18- FINANCIAL INSTRUMENTS RISKS (continued)

18.1 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 recognizing 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 derecognized) 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.

18.2 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 du within the next period.

19- 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.

20- 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.

(in Canadian dollars)

20- SEGMENT INFORMATION (continued)

2019
Segmented information concerning the statement of comprehensive income

	Mining site in production	Prospection and development	Corporates	Total
	$	$	$	$
Revenues	25,667,846	-	-	25,667,846
Operating mining cost	21,246,386	-	-	21,246,386
Royalties	490,870	-	-	490,870
Amortization and depletion	3,584,266	-	-	3,584,266
Costs of sales	25,321,522	-	-	25,321,522
GROSS PROFIT	346,324	-	-	346,324
Expenses	-	-	796,126	796,126
Depreciation of property, plant and equipment	-	-	9,653	9,653
	-	-	805,779	805,779
OPERATING EARNINGS (LOSS)	346,324	-	(805,779)	(459,455)
REVENUES AND FINANCE COSTS	57,212	-	(7,393)	49,819
EARNINGS (LOSS) BEFORE TAXES	289,112	-	(798,386)	(509,274)
Addition of property, plant and equipment	2,494,512	1,290,698	-	3,785,210
Addition of exploration and evaluation expenses	-	971,335	-	971,335
Current assets	6,781,106	15,627	146,895	6,943,628
Deposits for restoration	497,572	4,027,817	-	4,525,389
Property, plant and equipment	14,926,525	4,511,136	-	19,437,661
Exploration and evaluation assets	-	8,912,534	-	8,912,534
Deferred income and mining tax assets	2,357,185	-	-	2,357,185
Total assets	24,562,388	17,467,114	146,895	42,176,397

(in Canadian dollars)

20- SEGMENT INFORMATION (continued)

2018
Segmented information concerning the statement of comprehensive income

	Mining site in production	Prospection and development	Corporates	Total
	$	$	$	$
Revenues	26,078,354	-	-	26,078,354
Operating mining cost	20,177,854	-	-	20,177,854
Royalties	562,517	-	-	562,517
Amortization and depletion	1,754,965	-	-	1,754,965
Costs of sales	22,495,336	-	-	22,495,336
GROSS PROFIT	3,583,018	-	-	3,583,018
Expenses	-	-	740,080	740,080
Amortization of property, plant and equipment	-	-	4,945	4,945
	-	-	745,025	745,025
OPERATING EARNINGS	3,583,018	-	(745,025)	2,837,993
REVENUES AND FINANCE COSTS	90,420	-	(3,522)	86,898
EARNINGS (LOSS) BEFORE TAXES	3,492,598	-	(741,503)	2,751,095
Addition of property, plant and equipment	3,039,180	1,238,042	-	4,277,222
Addition of exploration and evaluation expenses	-	518,675	-	518,675
Current assets	7,964,782	15,627	169,845	8,150,254
Deposits for restoration	480,672	4,027,817	-	4,508,489
Property, plant and equipment	16,004,658	4,902,432	-	20,907,090
Exploration and evaluation assets	-	7,941,199	-	7,941,199
Total assets	24,450,112	16,887,075	169,845	41,507,032