



**ANNUAL MANAGEMENT DISCUSSION  
AND ANALYSIS**

**For the Year Ended June 30, 2022**

**ABCOURT MINES INC.**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This management’s discussion and analysis (“MD&A”) provides an analysis of our mining operations and exploration, evaluation and results of our financial position which will enable the reader to evaluate important changes in operating results and exploration, evaluation in the financial position for the year ended June 30, 2022 of Abcourt Mine Inc. (the “Company”). This report supplements our audited financial statements and should be read in conjunction with our audited financial statements and the accompanying notes. Our audited financial statements for the year ended June 30, 2022, were prepared in accordance with the applicable international accounting system. All monetary values included in this report are in Canadian dollars, unless indicated otherwise. Our financial statements and the management’s discussion and analysis are intended to provide a reasonable basis for investors to evaluate our exploration, evaluation and operating results and our financial position.

This MD&A is dated as at October 26, 2022 and contains updated information, unless indicated otherwise.

You are invited to review the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com), where you will find all the documents filed pursuant to the applicable Canadian securities laws as well as our website: [www.abcourt.com](http://www.abcourt.com) where additional information might be found.

### **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 FACTORS”. 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.

## **HIGHLIGHTS FOR THE YEAR**

- Revenues of \$20,394,883 for the year ended June 30, 2022 compared to \$27,587,100 for the same period in 2021, representing a 26% decrease, explained by a lower number of ounces of gold sold.
- A net loss of \$27,896,315 compared to a net profit of \$2,424,866 for the same period in 2021, explained by the non-cash impairment charge of the Company's assets, by the increase in the cost of sales and by the reduction in tonnage.
- An adjusted net loss of \$1,881,252, compared to an adjusted net income of \$5,107,012 for the same period in 2021.
- Cost of sales of \$22,808,329, compared to \$24,160,753 in 2021, a 6% decrease.
- Cash of \$720,512, compared to \$2,454,645 in 2021. Company's working capital of \$(5,246,416) compared to \$(413,103) in 2021. The decrease is due to a significant drop in cash generated by the Company's operational activities and significant investment in property, plant and equipment.
- Cash cost of \$2,380 (US\$1,889), compared to \$1,845 (US\$1,441) and all-in sustaining costs of production of \$2,749 (US\$2,182) compared to \$2,157 (US\$1,685) per ounce of gold sold for the corresponding period of 2021. The increase in the cash cost is explained by the 25 % reduction in the number of ounces sold compared to 2021 and by the reduction in tonnage. During the year, the cash cost per ounce of gold sold is higher than the average realized price per ounce of gold sold, i.e. \$2,301 (US\$1,826).
- Ounces produced were 8,364, compared to 11,398 ounces for the same period of 2021. Ounces sold were 8,786, compared to 11,659 ounces for the same period of 2021, representing a 27% decrease in ounces produced and a 25% decrease in ounces sold. The reduction in ounces produced and sold is explained by the decrease in tonnage for the year, which is due to the depletion of economic resources at the Elder mine and unplanned shutdowns at the Elder mine, in the third and fourth quarters.
- Sale of approximately 1,399 ounces of gold from the development work at the Sleeping Giant mine, for a total of \$3,219,491; sale of 266 ounces of gold for an amount of \$585,088 during the same period of 2021.
- The average price realized when selling gold in 2022 was \$2,301 (US\$1,826), compared to \$2,364 (US\$1,847) in 2021, a decrease of 3%.

## **CHANGE IN MANAGEMENT**

On March 23, 2022, the Company announced the appointment of Mr. Pascal Hamelin as President and Chief Executive Officer of Mines Abcourt Inc., appointment effective as at April 4, 2022, replacing Mr. Renaud Hinse.

Mr. Hamelin is a mining engineer who graduated from École Polytechnique of Montréal. He has more than 30 years experience in the mining sector, in the management of mining operations, projects and exploration. He is a member of the Quebec Order of Engineers (Eng.) and of the Professional Engineers of Ontario (P.Eng). He has mainly gained his experience working in the Sudbury and Abitibi mining camps.

Most recently, Mr. Hamelin was President and CEO of Resources Bonterra Inc. ("Bonterra"), from 2020 to January 2022, and previously General Manager, Vice-President Operations of Bonterra, formerly Metanor Resources Inc.

From 1991 to 2007, Mr. Hamelin held several positions at various mining sites for Inco. Subsequently, he has held management positions for Century Mining and Alexis Minerals from 2007 to 2010.

Mr. Hamelin has been a director of Pershimex Resources Corporation since December 2021.

## **STRATEGY AND OUTLOOK**

Over the next year, the Corporation will work on developing a budget to put the Sleeping Giant mine back in production. The Sleeping Giant mine team has begun the rehabilitation of galleries on the upper levels and has already identified unlisted mineralized areas. The objective for the next year is to update the mineral resources using new technology tools available to the technical teams, and to progress rehabilitation over several levels and in the shaft towards a resumption of mining activities.

The Company announced that it will end mining operations at the Elder mine and proceed to mass layoff at the beginning of August 2022. For several quarters, production at the Elder mine had been becoming less profitable despite the efforts of all employees. Faced with this fact, the Company made the decision to end mining operations and evaluate the long-term plan for the Elder mine.

Finally, the Company has several dormant assets, and it must assess the relevance of keeping, developing or selling them. The Company announced the start of geological work on the Flordin and Discovery deposits. Valuation work will continue until the fourth quarter of 2023 towards recommendations for further work. Subsequently, exploration activities on the field will take place according to the recommendations from the geologists.

On June 9, 2022, the Company announced that it had entered into a non-binding letter of intent with Corporation Pershimex Resources ("Pershimex") (TSX Venture: PRO) in connection with a proposed transaction, by which the Company would acquire all of the issued and outstanding securities of Pershimex by way of a three-way merger. The proposed transaction will create value for shareholders of both companies and is consistent with Abcourt's vision to create a larger and more diverse emerging gold producer and explorer in Quebec.

As part of this agreement, Pershimex shareholders will receive 0.5714 pre-consolidation common shares of Abcourt (each, an "Abcourt pre-consolidation share") in exchange for each common share of Pershimex (each, a "Pershimex Share") (collectively, the "exchange ratio"). The exchange ratio implies a consideration of C\$0.038 per Pershimex share based on the volume weighted average trading price ("VWAP") of Abcourt's common shares on the TSX Venture Exchange (the "TSXV") during the five business days ending June 8, 2022 and results in the following bid premiums:

- 27.2% premium to the 5-day VWAP of Pershimex shares and a 22.9% premium to its VWAP of 20 days over the period ending June 8, 2022; and
- 33.3% premium to the previous day's close of Pershimex shares based on the price implied offer price of C\$0.040 per Pershimex share, calculated using the closing price of Abcourt's share on June 6, 2022, the day before the effective date of the letter of intent.

Under the proposed transaction, Abcourt' shareholders will own 81.2% of the combined company and the shareholders of Pershimex will own 18.8%.

As part of the proposed transaction, all of Pershimex's outstanding options will be exchanged for economically equivalent options to purchase Abcourt' shares (subject to an adjustment based on the exchange ratio and the share consolidation described below) and the holders of warrants of Pershimex will be entitled, in accordance with the terms of these warrants, to receive Abcourt' shares upon exercise of these warrants (subject to an

adjustment based on the exchange ratio and the share consolidation described below).

The proposed transaction will be structured as a three-way merger under the Canada Business Corporations Act ("CBCA"), under which a wholly-owned subsidiary to be incorporated by the Company under the CBCA ("Subco") will merge with Pershimex, the entity resulting from this amalgamation, becoming a wholly-owned subsidiary of Abcourt. The proposed transaction will be subject to the closing by Abcourt, Pershimex and Subco (collectively, the "Parties") of a amalgamation agreement (the "Amalgamation Agreement"), which will contain customary terms and conditions for transactions of this nature, including non-solicitation provisions, expense reimbursement provisions, fees matching fees and mutual termination fees payable in certain circumstances where one party chooses not to proceed with the proposed transaction.

As part of the proposed transaction, Pershimex will have the right to appoint one director to the board of directors of Abcourt.

Subsequently to June 30, 2022, the Company announced, on October 5, 2022, the signing of an amended letter of intent with Pershimex which amends the letter that was dated June 9, 2022. The amended letter of intent aims at clarifying the rights and obligations of the parties, in particular the abandonment of the exclusivity offered by Pershimex to Abcourt and the extent of the termination fees, all depending on the evolution of the discussions between Abcourt and Pershimex to complete the transaction. In the amended agreement of October 5, 2022, the exchange ratio remains unchanged at 0.5714.

## **KEY FINANCIAL AND OPERATIONAL ANNUAL DATA**

	2022	2021	2020
<b><u>FINANCIAL DATA :</u></b>			
Revenue (\$)	20,394,883	27,587,100	24,057,233
Costs of sales (\$)	22,808,329	24,160,753	22,116,466
Gross margin (\$)	(2,413,446)	3,426,347	1,940,767
Administration expenses (\$)	25,331,638	1,152,620	823,868
Minus impairment of :			
-property, plant and equipment (\$)	(14,455,255)	-	-
- exploration and evaluation assets (\$)	(9,352,756)	-	-
Administrative expenses excluding depreciation of assets (\$)	1,523,627	1,152,620	823,868
Net income (\$)	(27,896,315)	2,424,866	358,856
Adjusted net income (1) (\$)	(1,881,252)	5,107,012	4,259,151
Cash provided by operating activities, after changes in non-cash working capital items (\$)	1,080,665	5,119,498	3,634,531
Basic income per share (\$)	(0.09)	0.01	0.00
Adjusted net income per share (\$)	(0.01)	0.02	0.00
Cash (\$)	720,512	2,454,645	1,960,920
Working capital (\$)	(5,246,416)	(413,103)	975,437
Total assets (\$)	23,941,459	49,714,676	45,809,122
Non-current liabilities (\$)	6,769,342	7,708,320	7,712,013
Equity (\$)	8,526,728	34,659,688	31,663,357
<b><u>OPERATIONAL STATISTICS :</u></b>			
Mined ore (tonnes)	66,077	93,120	100,560
Ore processed (tonnes)	66,613	92,317	105,779
Grade tonnes processed (g/t Au)	4.0	4.0	3.8
Gold recovery (%)	95.88	95.63	95.23
Ounces produced	8,364	11,398	12,180
Revenues from gold and silver sales (\$)	20,219,630	27,562,809	24,039,233
Ounces sold	8,786	11,659	11,640
Average realized price per ounce (\$)	2,301	2,364	2,065
Cash costs per ounce sold (\$) (1)	2,380	1,845	1,636
All-in sustaining costs per ounce sold (\$) (1)	2,749	2,157	1,950
Average realized price per ounce (US\$)	1,826	1,847	1,549
Cash production costs per ounce (US\$) (1)	1,889	1,441	1,228
All-in sustaining production costs per ounce (US\$) (1)	2,182	1,685	1,463
Average exchange rate CAN\$ / US\$	1.26	1.28	1.33
Costs necessary to maintain production	1,838,532	2,493,225	2,839,093

1) Non-IFRS measures. See explanations on page 15.

	2022	2021	Change
<b><u>FINANCIAL DATA :</u></b>			
Revenue (\$)	20,394,883	27,587,100	-26%
Costs of sales (\$)	22,808,329	24,160,753	-6%
Gross margin (\$)	(2,413,446)	3,426,347	-170%
Administration expenses (\$)	25,331,638	1,152,620	-
Minus impairment:			
-property, plant and equipment (\$)	(14,455,255)	-	-
- exploration and evaluation assets (\$)	(9,352,756)	-	-
Administrative expenses excluding depreciation of assets (\$)	1,523,627	1,152,620	32%
Net income (\$)	(27,896,315)	2,424,866	
Adjusted net income (1) (\$)	(1,881,252)	5,107,012	-137%
Cash from operating activities, after changes in non-cash working capital items (\$)	1,080,665	5,119,498	-79%
Basic income per share (\$)	(0.09)	0.01	-
Adjusted net income per share (\$)	(0.01)	0.02	-
Cash (\$)	720,512	2,454,645	-71%
Working capital (\$)	(5,246,416)	(413,103)	-
Total assets (\$)	23,941,459	49,714,676	-52%
Non-current liabilities (\$)	6,769,342	7,708,320	-12%
Equity (\$)	8,526,728	34,659,688	-75%
<b><u>OPERATIONAL STATISTICS :</u></b>			
Mined ore (tonnes)	66,077	93,120	-29%
Ore processed (tonnes)	66,613	92,317	-28%
Grade tonnes processed (g/t Au)	4.0	4.0	-
Gold recovery (%)	95.88	95.63	0.26%
Ounces produced	8,364	11,398	-27%
Revenues from gold and silver sales (\$)	20,219,630	27,562,809	-27%
Ounces sold	8,786	11,659	-25%
Average realized price per ounce (\$)	2,301	2,364	-3%
Cash costs per ounce sold (\$) (1)	2,380	1,845	29%
All-in sustaining costs per ounce sold (\$) (1)	2,749	2,157	27%
Average realized price per ounce (US\$)	1,826	1,847	-1%
Cash costs per ounce (US\$) (1)	1,889	1,441	31%
All-in sustaining costs per ounce (US\$) (1)	2,182	1,685	29%
Average exchange rate CAN\$ / US\$	1.26	1.28	-2%
Costs necessary to maintain production	1,838,532	2,493,225	-26%

1) Non-IFRS measures. See explanations on page 15.

For the year ended June 30, 2022, the Company produce 8,364 ounces, down 27%, compared to the year 2021. The quantity of ore processed during the year was 66,613 tonnes compared to 92,317 tonnes over the same period in 2021, a 28% decrease. The average ore grade was 4 g/t Au, which is comparable to 2021. The quantity of ore mined during the year at the Elder mine was 66,077 tonnes, a 29% decrease, compared to the 93,120 tonnes mined during the same period of 2021.

The reduction in the tonnage mined and processed explains the reduction in the production of ounces during the year. The decrease in tonnage during the year is due to the depletion of the economic resources of the Elder mine, the increase in absenteeism caused by COVID-19 and unplanned shutdowns during the third and fourth quarter to carry out repair work on the hoisting devices at the Elder mine.

For the year ended June 30, 2022, revenues totaled \$20,394,883, a 26% decrease, compared to the corresponding period of 2021, when they stood at \$27,587,100. The Company's income comes mainly from the sale of gold and silver. The decrease in revenues compared to the year ended June 30, 2021 is mainly due to the 25% reduction in the number of ounces of gold sold during the year. During the period, the Company sold 8,786 ounces of gold at an average realized price of \$2,301 (US\$1,826) per ounce compared to 11,659 ounces of gold sold at an average realized price of \$2,364 (US\$1,847) per ounce during the year 2021.

Cost of sales, including royalties, depreciation and depletion, for the year totaled \$22,808,329, compared to \$24,160,753 for the same period in 2021, a 6% decrease, in spite of the significant decrease in production in 2022. For the years ended June 30, 2022 and 2021, the cost of sales is comparable although the number of ounces produced and sold in 2022 decreased by 27% and 25% respectively. In 2022, the increase in the cost of sales is due to the increase in the price of materials, difficult operating conditions due to mining techniques at the Elder mine, reduced productivity caused by the lack of skilled labor for this type of operation, to the increase in absenteeism caused by COVID-19 and finally, the raise in wages to ensure the retention of skilled miners.

In 2022, the cash cost reached \$2,380 (US\$1,889) per ounce compared to \$1,845 (US\$1,441) per ounce for the same period in 2021, a 29% increase. The increase in cash cost is explained by the reduction in the number of ounces sold and by the increase in production costs.

The all-in sustaining costs per ounce reached \$2,749 (US\$2,182) per ounce, up 27% compared to \$2,157 (US\$1,685) in 2021. Sustain costs were \$1,838,532, compared to \$2,493,225 during the same period in 2021. It is mainly the increase in production costs that explains the increase in the overall cost of production since the administrative expenses (before the depreciations of the property, plant and equipment and exploration and evaluation assets) as well as investments in property, plant and equipment combined are lower than in 2021.

Administrative expenses amounted to \$25,331,638 in 2022, compared to \$1,152,620 in 2021, representing an increase in the amount of \$24,179,018. The increase is due to the non-cash impairment expenses of the property, plant and equipment and exploration and evaluation assets for an amount of \$23,808,011. Excluding impairment charges, administrative expenses increased by 32% compared to the previous year. The increase in administrative expenses is mainly explained by the increase in the shareholder and investor relations item in the statement of comprehensive income. The Company has retained the services of the firm Red Cloud Securities to support the Company and make it known to a wider circle of institutional investors over the next year, which explains the increase in administrative expenses.

The Company realized a net loss for the year of \$27,896,315, or a loss per share of \$0.09, compared to a net income of \$2,424,866, or earnings per share of \$0.01, for the year 2021. The Company has a net loss of \$1,881,252, or an adjusted net loss per share of \$0.01, compared to an adjusted net profit of \$5,107,012 or adjusted net earnings per share of \$0.02 for fiscal 2021. Net loss for the year is explained as previously mentioned by the increase in the cost of sales resulting from the increase in the price of materials, difficult operating conditions due to mining techniques, through reduced productivity caused by the lack of skilled labour, by the increase in



absenteeism due to COVID-19, by the increase in salaries and ultimately, by the depletion of resources of the Elder mine.

Cash from operating activities (after the change in non-cash items of working capital) for the year was \$1,080,665, compared to \$5,119,498 for the same period in 2021. Decrease in cash is attributable to the decline in profitability.

As at June 30, 2022, the Company's working capital was (\$5,246,416), compared to (\$413,103) as at June 30, 2021. Working capital has decreased significantly since June 30, 2021 due to the significant decrease in cash generated by the Company's operating activities and investment in property, plant and equipment.

Capital investments for the Elder and Sleeping Giant projects amounted to \$8,054,751. During the year, an amount of \$1,838,532 was invested in the development of drifts at the Elder mine, compared to \$2,465,981 in 2021, a 25% decrease. An amount of \$6,216,219 was invested in the rehabilitation of the upper levels of the Sleeping Giant mine. During the year, the sale of gold and silver from the Sleeping Giant mine, for an amount of \$3,219,491, reduced mine rehabilitation expenditures, which were \$585,088 during the same period of 2021.

See the table below for details of purchases of property, plant and equipment during the year:

	2022	2021
	\$	\$
Elder Mine	1,838,532	2,465,981
Sleeping Giant Mine	6,216,219	3,451,472
Sales of gold and silver from Sleeping Giant Mine	(3,219,491)	(585,088)
	<u>4,835,260</u>	<u>5,332,365</u>

Following the announcement of the end of operations at the Elder mine, depreciation tests were performed on the assets of the Company; see Depreciation of non-financial assets section for more details.

During the year, the Company received an amount of \$1,000,000 representing the third installment of its loan from the Royal Bank of Canada and repaid \$483,333 of this debt. The Company has an authorized loan of a maximum amount of \$3,000,000 (\$5,000,000 in 2021), bearing interest at fixed rates of 2.99%, 3.51% and 5.66%, maturing in January and February 2023 and in June 2024, secured by a first mortgage loan of \$3,000,000 on the equipment and mobile equipment from the Sleeping Giant mine and mill.

During the year, the Company completed a private placement consisting of 16,750,000 units at a price of \$0.10 per unit for a total amount of \$1,675,000. Each unit consisted of one Class "B" common share and one warrant, each warrant entitling the holder to subscribe for one Class "B" common share at \$0.15 for a period of 3 years.

### **Depreciation of non-financial assets**

For the year ended June 30, 2022, the Company determined that the significant losses generated by the mining assets in production and the decision to end production at the Elder mine were facts and circumstances indicating an depreciation of these assets and concluded that an depreciation test was necessary for the assets pertaining to the Elder mine and for those pertaining to the Sleeping Giant mine. The mill at the Sleeping Giant site was used by the Company to process ore from the Elder mine and in the future will be used to process ore from the Sleeping Giant mine as well as the Discovery, Flordin and Dormex properties when they will be in production. No depreciation test has been performed for the mill.

The Company has determined that the recoverable amount of the Elder mine is close to nil given the absence of reserves, expected operating losses and obsolescence of equipment. An amount of \$11,635,423 was recognized as loss of value for this asset.

For the Sleeping Giant mine, which is under development, the Company has determined the recoverable amount based on the value utility using estimated future cash flow projections based on the 43-101 technical report published by the Company in 2019, updated to reflect changes in the cost and price of gold, and discounted at an interest rate headcount of 20% which reflects current assessments of the market, time value of money and risk specific to these assets. No devaluation has been recorded for this site.

For the Abcourt-Barvue deposit, management reviewed its strategic objectives and made the decision to focus its resources to the development of its gold properties. This change implies a loss of value for these assets and the Company has determined that the recoverable amount of this equipment is nil given the obsolescence of the equipment and management intentions. An amount of \$2,819,832 was recognized as at June 30, 2022 as an depreciation loss for these assets.

With respect to exploration and evaluation assets, management reviewed its strategic objectives and made the decision to focus its resources on the development of its gold properties. As at June 30, 2022, an amount of \$9,352,756 has accounted for as a depreciation of exploration assets since management does not intend to pursue exploration of these sites over the coming year. For the coming year, the Company will focus its exploration activities on the Flordin, Discovery and Sleeping Giant deposits.

## KEY QUARTERLY FINANCIAL AND OPERATIONAL DATA

	<b>2022 June</b>	<b>2021 June</b>	<b>2022 March</b>	<b>2021 March</b>	<b>2021 Dec.</b>	<b>2020 Dec</b>	<b>2021 Sept</b>	<b>2020 Sept</b>
<b><u>FINANCIAL DATA</u></b>								
Revenues (\$)	<b>3,314,870</b>	6,602,386	4,175,745	4,813,520	6,244,370	8,360,700	6,659,898	7,810,494
Costs of sales (\$)	<b>5,409,471</b>	5,972,046	4,957,471	4,114,284	6,648,137	7,513,877	5,793,250	6,560,546
Gross margin	<b>(2,094,601)</b>	630,340	(781,726)	699,236	(403,767)	846,823	866,596	1,249,948
Administrative expenses (\$)	<b>24,562,483</b>	345,536	237,524	306,032	278,346	259,841	253,285	241,211
Net income (\$)	<b>(26,696,444)</b>	547,232	(1,042,208)	367,413	(703,322)	454,583	592,932	1,055,638
Adjusted net income (1) (\$)	<b>(2,413,641)</b>	999,075	(618,924)	938,456	(108,774)	1,381,572	1,257,087	1,787,909
Cash generated (used) by operating activities, after changes in non-cash working capital items (\$)	<b>(1,246,477)</b>	(104,780)	(377,388)	323,785	2,006,778	2,528,882	697,752	2,371,611
Net earnings per share basic (\$)	<b>(0.08)</b>	0.00	(0.003)	0.001	(0.002)	0.001	0.002	0.003
Adjusted net earnings per share (1) (\$)	<b>(0.01)</b>	0.00	(0.002)	0.003	(0.000)	0.004	0.004	0.006
<b><u>OPERATIONAL STATISTICS :</u></b>								
Ore mined (tonnes)	<b>11,651</b>	25,670	13,475	17,078	16,310	23,402	24,640	26,970
Ore milled (tonnes)	<b>12,296</b>	24,509	11,844	16,878	17,836	24,132	24,637	26,789
Grade of tonnes produced (g/t Au)	<b>3.4</b>	4.2	4.9	4.5	3.7	3.7	4.3	3.7
Gold recovery (%)	<b>95.23</b>	96.46	96.2	96.59	95.86	96.09	96.16	94.26
Ounces produced	<b>1,285</b>	3,166	1,791	2,360	2,017	2,730	3,271	3,008
Revenues from the sale of gold and silver (\$)	<b>3,192,265</b>	6,579,561	4,159,103	4,813,854	6,228,373	8,360,700	6,639,889	7,808,694
Ounces sold	<b>1,333</b>	2,959	1,760	2,199	2,765	3,431	2,928	3,071
Average realized gold price per ounce (\$)	<b>2,395</b>	2,224	2,363	2,189	2,253	2,437	2,268	2,543
Cash costs per ounce of gold produced (1)	<b>3,824</b>	1,803	2,595	1,648	2,197	1,961	1,766	1,897
Cash costs of production per ounce of gold (\$ (1)	<b>4,311</b>	2,170	2,743	2,002	2,693	2,221	2,095	2,184
Average price realized per ounce (\$US)	<b>1,871</b>	1,823	1,876	1,745	1,796	1,886	1,801	1,911
Cash costs of production per ounce (\$US) (1)	<b>2,988</b>	1,478	2,060	1,314	1,752	1,518	1,403	1,426
All-in sustaining costs of production per ounce (\$US) (1)	<b>3,368</b>	1,779	2,178	1,596	2,147	1,719	1,664	1,642
Average exchange rate \$CAN / \$US	<b>1.28</b>	1.22	1.2596	1.2548	1.2544		1.2591	
Costs necessary to maintain production	<b>1,400</b>	742,324	29,456	473,598	1,095,558	632,235	712,119	645,068

1) Non-IFRS measures, see explanations on page 15.

	2022	2021	Change
	3 months	3 months	
<b><u>FINANCIAL DATA :</u></b>			
Revenues (\$)	3,314,870	6,602,386	-50%
Costs of sales (\$)	5,409,471	5,972,046	-9%
Gross margin (\$)	(2,094,601)	630,340	
Administration expenses (\$)	24,562,483		
Minus impairment :			
-property, plant and equipment	(14,455,255)	-	
- exploration and evaluation assets	(9,352,756)	-	
Administrative expenses excluding impairment of assets (\$)	754,472	345,536	118%
Net income (\$)	(26,696,444)	547,232	
Adjusted net income (1) (\$)	(2,413,641)	999,075	
Cash provided by operating activities, after changes in non-cash working capital items (\$)	(1,246,477)	(104,780)	
Earnings per share -basic (\$)	(0.08)	0.00	
Adjusted net earnings per share (\$)	(0.01)	0.00	
Cash (\$)			
Working capital (\$)			
Total assets (\$)			
Non-current liabilities (\$)			
Equity (\$)			
<b><u>OPERATIONAL STATISTICS :</u></b>			
Ore mined (tonnes)	11,651	25,670	-55%
Ore milled (tonnes)	12,296	24,509	-50%
Grade tonnes milled (g/t Au)	3.4	4.2	-19%
Gold recovery (%)	95.23	96.46	-1%
Ounces produced	1,285	3,166	-59%
Revenues from the sales of gold and silver (\$)	3,192,265	6,579,561	-51%
Ounces sold	1,333	2,959	-55%
Key data per ounce of gold (\$)			
Average realized price per ounce (\$)	2,395	2,224	8%
Cash production costs per ounce sold (\$) (1)	3,824	1,803	112%
All-in sustaining costs of production per ounce sold (\$) (1)	4,311	2,170	99%
Key data per ounce of gold (US\$)			
Average realized price per ounce (US\$)	1,871	1,823	3%
Cash production costs per ounce (US\$) (1)	2,988	1,478	102%
All-in sustaining costs of production per ounce (US\$) (1)	3,368	1,779	89%
Average exchange rate CAN\$ / US\$	1.28	1.22	5%

1) Non-IFRS measures, see explanations on page 15.

## QUARTER ENDED JUNE 30, 2022

Company's production was 1,285 ounces for the quarter, down 59% from the corresponding quarter of 2021. The quantity of ore processed during the quarter was 12,296 tonnes compared to 24,509 tonnes over the same period in 2021, a decrease of 50%. The average ore grade was 3.4 g/t, which is slightly lower than the grade obtained for the same period in 2021. The quantity of ore mined during the quarter at the Elder mine was 11,651 tonnes, down 55% compared to 25,670 tonnes mined during the same quarter in 2021. The decrease in tonnage explains the reduction in production ounces during the quarter. The decrease in tonnage for the quarter is due to the depletion of economic resources of the Elder mine and an unplanned shutdown for the whole month of June in order to carry out repairs to hoisting devices at the Elder mine.

Revenues totaled \$3,314,870 in the fourth quarter, down 50% from the corresponding quarter of 2021, which stood at \$6,602,386. The Company's revenues come mainly from the sale of gold and silver. The decrease in gold and silver sales is due to the decrease in tonnes mined, milled, ounces of gold produced and sold, which decreased by 55%, 50%, 59% and 55% respectively compared to 2021. The Company has sold 1,333 ounces of gold during the quarter at an average realized price of \$2,395 (US\$1,871) per ounce compared to 2,959 ounces of gold sold at an average realized price of \$2,224 (US\$1,823) per ounce during the same period in 2021.

Cost of sales of \$5,409,471, compared to \$5,972,046, a 9% decrease, in spite of the significant decrease of production in 2022. For the quarter ended June 30, 2022 and 2021, cost of sales is comparable although the number of ounces produced and sold in 2022 has decreased significantly, respectively by 59% and 55%.

Cash cost of \$3,824 (US\$2,988), compared to \$1,803 (US\$1,478) per ounce of gold sold for the period corresponding to 2021. The increase in the cash cost is explained by the decrease in the profitability of the Elder mine operations. During the quarter, the cash cost per ounce of gold sold is higher than the average price realized from the ounce of gold sold, i.e. \$2,395.

The all-in sustaining costs of production per ounce reached \$4,311 (US\$3,368) per ounce, up 99% compared to \$2,170 (US\$1,779) in 2021. This is mainly the increase in production costs and the decrease in gold ounces sold which explains the increase in the all-in sustaining costs of production.

Administrative expenses amounted to \$24,562,483 in 2022, compared to \$345,536 in 2021, representing an increase of \$24,216,947. This increase is due to non-cash expenses for depreciation expenses for property, plant and equipment and exploration and evaluation assets. Excluding total depreciations, administrative expenses increased by 118% compared to the same period last year. The increase in expenses is mainly explained by the increase in the shareholder and investor relations item. During the year, the Company paid \$200,000 in fees of to Red Cloud Securities, a consulting firm in investor relations. The Company retained the services of the firm Red Cloud Securities to assist the Company in its investor relations and its social media.

The Company realized a net loss for the quarter of \$26,696,444, or a loss per share of \$0.08, compared to net income of \$547,232, or earnings per share of \$0.00 generated for the fourth quarter of 2021. The Company has an adjusted net loss of \$2,413,641, or an adjusted net loss per share of \$0.01, compared to adjusted net earnings of \$999,075 or adjusted net earnings per share of \$0.00. The results of quarter are explained by the depreciation of assets, by the decrease in the number of ounces sold, by the increase in cost of sales and by the reduction in tonnage.

Cash provided by operating activities (after the change in non-cash items of the working capital) for the quarter were (\$1,246,477) compared to (\$104,780) for the same period in 2021.

Investments in property, plant and equipment during the quarter were lower than in 2021, i.e. an amount of \$559,498 compared to \$1,634,514.

See the table below for details of additions to property, plant and equipment during the quarter:

	2022 \$ 3 months	2021 \$ 3 months
Elder Mine	1,399	722,833
Sleeping Giant Mine	1,356,764	1,197,937
Sales of gold and silver from Sleeping Giant mine	(798,665)	(286,256)
	559,498	1,634,514

During the quarter, the sale of gold and silver mined from the Sleeping Giant mine in the amount of \$798,665 reduced the mine development expenditures; this amount was \$286,256 during the same period in 2021. During in the fourth quarter of 2021, an amount of \$722,833 was invested in the development of drifts at the Elder mine while no amount was invested in 2022.

Substantially all of the Elder Mine assets were depreciated during the quarter ended June 30, 2022. For more details on the depreciation tests carried out on the Company's assets following the announcement of the end of operations at the Elder mine, see Depreciation of non-financial assets sub-section in the annual financial statements.

The repayment of \$155,823 of long-term debt during the quarter compared to a repayment of \$50,000 for the same period of 2021 also affects the reduction in cash available for the quarter.

During the quarter, the Company completed a non-brokered private placement consisting of 16,750,000 units at a price of \$0.10 per unit for a total amount of \$1,675,000. Each unit consisted of one Class "B" common share and one warrant, each warrant entitling the holder to subscribe for one Class "B" common share at \$0.15 for a period of 3 years.

### **OUTSTANDING SHARE CAPITAL**

The following table shows the number of common shares, warrants and stock options, of the Company outstanding as of the date of this MD&A:

**As at June 30, 2022**

<b>Common shares issued</b>	<b>328,289,131</b>
<b>Warrants (average exercise price: \$0.15)</b>	<b>16,750,000</b>
<b>Share purchase options (average exercise price: \$0.09)</b>	<b>2,800,000</b>

### **BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The audited annual financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB and in

accordance with IAS 34, Interim Financial Reporting.

For more information regarding accounting policies, please refer to Notes 3 and 4 of the audited annual financial statements dated June 30, 2022.

## **BASIS OF VALUATION**

The financial statements have been prepared using the historical cost method.

## **ADDITIONAL INFORMATION REQUIRED FROM A VENTURE ISSUER**

The Company has no deferred expenses other than mining properties and deferred exploration and evaluation expenses.

The Company has no research and development expenses other than those relating to its mining activities.

## **OBLIGATIONS AND CONTRACTUAL COMMITMENTS**

At as the date of this MD&A, the Company has the following commitments:

- Restoration of the Elder and Sleeping Giant sites;
- Gold and silver sales contract with Auramet;
- Loan from Royal Bank of Canada
- A financing contract with Ford for the purchase of a van;
- General insurance and liability insurance premium financing.

## **Environment**

A sedimentation pond on the Abcourt-Barvue property was restored during the years 2005 to 2010. A plant has been put in place to treat the leachate from the restored basin.

Several environmental studies were carried out during the year for the Elder mine and the Sleeping Giant mine. These studies, at a cost of more than \$300K, are required by the regulations concerning effluents of metals mines.

## **INFORMATION CONCERNING THE CAPITAL**

In terms of capital management, the Company's objectives are to ensure the continuity of operations while maintaining ongoing exploration programs and the development of mining assets, to provide sufficient working capital to meet its current commitments and pursue possible investments.

## **RISK FACTORS**

Risk factors are presented in note 19 of the annual financial statements for the year ended June 30, 2022.

## **NON-IFRS FINANCIAL PERFORMANCE MEASURES**

This MD&A presents certain measures of financial performance, namely total cash production costs per ounce of gold sold, costs to maintain production per ounce of gold sold, and earnings before

interest, taxes, depreciation and depreciation of property, plant and equipment and exploration and evaluation assets as well as the all-in sustaining costs of production, which do not have standardized definitions under IFRS.

These performance measures may not be comparable to those presented by other gold producers. Non-IFRS measures of financial performance should be considered in conjunction with other data prepared under IFRS.

Adjusted net earnings is a performance measure that members of management use to assess the performance of the Company's operations, without taking into account the impact of accounting policies, tax laws as well as capital structure because that these latter elements could potentially give a false representation of the Company's ability to generate cash from its operations. Adjusted net income excludes interest, tax, amortization and depreciations of property, plant and equipment and exploration and evaluation assets.

Cash cost and all-in sustaining costs of production are commonly used performance measures within the gold mining industry. The Company reports cash cost per ounce data based on the number of ounces sold. Cash costs include mining costs and royalty costs but exclude depreciation and depletion and capital investments. The all-in sustaining costs of production includes the cost of sales, the investments necessary to maintain operations, the administration costs, except for depreciation and depletion, the cost of accretion as well as the depreciation of property, plant and equipment and exploration and evaluation assets. The Company considers that the all-in sustaining costs of production present a more complete picture of the Company's performance and its ability to generate cash.



## CALCULATION OF CASH COST AND ALL-IN SUSTAINING COSTS OF PRODUCTION

	2022		2021	
	3 months	12 months	3 months	12 months
Ounces of gold sold	1,333	8,786	2,959	11,659
Cost of sales	5,409,471	22,808,329	5,972,046	24,160,753
Amortization and depletion	(311,995)	(1,858,267)	(619,899)	(2,626,723)
Cost of other income	-	(40,252)	(17,843)	(19,971)
<b>Cost of sales, excluding amortization and cost of other income</b>	<b>5,097,476</b>	<b>20,909,810</b>	<b>5,334,304</b>	<b>21,514,059</b>
<b>Cash cost (\$/ounce)</b>	<b>3,784</b>	<b>2,380</b>	<b>1,803</b>	<b>1,845</b>
Costs necessary to maintain production	1,399	1,838,532	742,324	2,493,225
Administrative expenses	24,562,483	25,331,638	345,536	1,152,620
Amortization of property, plant and equipment	(4,369)	(15,821)	(1,812)	(7,503)
Share-based compensation	(103,000)	(103,000)	-	-
Depreciation of property, plant and equipment	(14,455,255)	14,455,255	-	-
Depreciation of exploration and evaluation assets	(9,352,756)	(9,352,756)	-	-
<b>All-in sustaining costs of production</b>	<b>5,745,978</b>	<b>24,153,148</b>	<b>6,420,352</b>	<b>25,152,401</b>
<b>All-in sustaining costs of production (\$/ounce)</b>	<b>4,266</b>	<b>2,749</b>	<b>2,170</b>	<b>2,157</b>

### Adjusted net income (Financial measures non defined by IFRS) :

	2022		2021	
	3 months	12 months	3 months	12 months
Operating income	(26,657,084)	(27,745,084)	284,804	2,273,727
Adjustments:				
Interest and penalties on taxes	16,068	78,733	92,560	199,059
Amortization and depletion	311,995	1,858,267	619,889	2,626,723
Amortization	4,369	15,821	1,812	7,503
Share-based compensation	103,000	103,000	-	-
Depreciation of property, plant and equipment	14,455,255	14,455,255	-	-
Depreciation of exploration and evaluation assets	9,352,756	9,352,756	-	-
Sub-Total	24,243,443	25,863,832	714,271	2,833,285
<b>Adjusted net income</b>	<b>(2,413,641)</b>	<b>(1,881,252)</b>	<b>999,075</b>	<b>5,107,012</b>
<b>Net earnings per share</b>				
<b>Basic</b>	(0.01)	(0.01)	0.00	0.02
<b>Diluted</b>	(0.01)	(0.01)	0.00	0.02
<b>Weighted average number of shares outstanding</b>				
<b>Basic</b>	317,061,109	312,915,843	311,389,131	310,137,990
<b>Diluted</b>	317,061,109	312,915,843	295,396,464	311,593,304

**Reconciliation of quarterly operating profit to adjusted net profit**

	2022 June.	2021 June	2022 March	2021 March	2022 Dec.	2021 Dec.	2021 Sept...	2020 Sept.
<b>Net adjusted profit: (\$)</b>								
Operating income	(26,657,084)	284,804	(1,019,250)	393,204	(682,113)	586,982	613,363	1,008,737
Interests and tax penalties	16,068	92,560	14,596	56,063	14,631	7,680	33,438	42,756
Amortization and depletion	311,995	619,899	381,029	487,249	556,647	784,959	608,596	734,616
Amortization	4,369	1,812	4,701	1,940	5,061	1,951	1,690	1,800
Share based compensation	103,000	-	-	-	-	-	-	-
Depreciation of property, plant and equipment	14,455,255	-	-	-	-	-	-	-
Depreciation of exploration and evaluation assets	9,352,756	-	-	-	-	-	-	-
Sub-total	24,243,443	714,271	400,326	545,252	573,339	794,590	643,724	779,172
<b>Adjusted net Profit</b>	<b>(2,413,641)</b>	<b>999,075</b>	<b>(618,924)</b>	<b>938,456</b>	<b>(108,774)</b>	<b>1,381,572</b>	<b>1,257,087</b>	<b>1,787,909</b>
Adjusted net income per share (\$)	(0.01)	0.00	(0.00)	0.00	(0.00)	0.00	0.00	0.01
Weighted average number of common shares outstanding basic	317,061,109	311,389,131	311,539,131	311,389,131	311,539,131	311,389,131	311,539,131	307,391,157

**CERTIFICATION**

This MD&A has been reviewed by the Audit Committee and approved by the Board of Directors of the Company.

(s) Pascal Hamelin

Pascal Hamelin,  
President and CEO  
October 26, 2022