FAIRCOURT

GOLD INCOME CORP.

Second Quarter 2018

Inception Date: November 16, 2007
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
TSX Symbol: FGX

FAIRCOURT GOLD INCOME CORP.

The Company invests in gold equities which include senior and intermediate gold producers that are part of the S&P/TSX Global Gold Index.

INVESTMENT OBJECTIVES

The Company's investment objectives are to provide Shareholders with: (i) monthly distributions targeted to be $0.04167 per month and currently $0.024 per month; and (ii) the opportunity for capital appreciation. Based on the market price as at June 30, 2018, the yield was 9.38%.

TOP TEN HOLDINGS as at June 30, 2018

- Agnico Eagle Mines Ltd.
- Alamos Gold Inc.
- B2Gold Corp.
- Detour Gold Corp.
- Franco-Nevada Corp.
- Goldcorp Inc.
- MAG Silver Corp.
- Newmont Mining Corp.
- Randgold Resources Ltd., ADR
- Semafo Inc.

OPTION WRITING

Our Manager believes that option writing has the potential to add value in certain sectors that have sustained volatility. Gold equities, which have historically maintained a high degree of volatility are well suited to an option writing strategy.

The sustained volatility in the gold equity sector allows the option writer the potential to generate significant premium income. In addition, an option writing strategy is an effective way to help lower the level of volatility for an investor, and potentially improve returns. In addition to its strong current fundamentals, the Manager believes the volatility in gold stocks will remain high relative to the broader market, producing sound returns for investors.

PRECIOUS METALS OUTLOOK

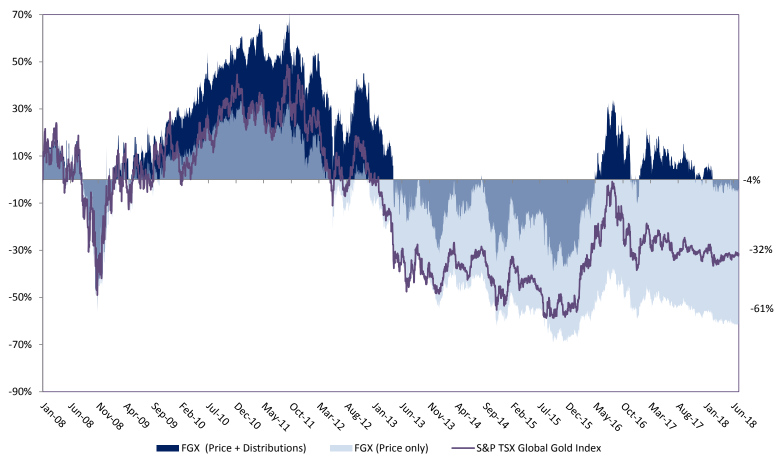
The Portfolio Advisor believes the fundamentals for investments in precious metals companies continue to be strong, especially during this uncertain global economic environment.

Driving the Portfolio Advisor's view are the following factors related to the demand for precious metals equity investments.

Current Global Economic Environment Supports Gold:

- High sovereign debt to GDP ratios of OECD countries
- Sluggish economic recovery leading to new rounds of quantitative easing
- Concerns about sovereign debt defaults
- Prolonged period of negative interest rates utilized globally
- Fear of inflation in the U.S. with the new Trump Presidency

PERFORMANCE SINCE JANUARY 1, 2008



Inception date is November 16, 2007, initial portfolio fully invested January 1, 2008.
Data is based on market price Source: Bloomberg

Returns for Period Ended June 30, 2018

	1 Year	3 Year	5 Year	10 Year	Since Inception*
FGX – Price [1,2]	-9.16%	3.59%	3.10%	-1.55%	-1.55%
FGX – NAV [1,3]	-4.82%	9.48%	5.14%	-2.51%	-1.54%
FGX – Index	-1.00%	9.12%	3.36%	-5.04%	-3.54%

Notes:
(1) Assumes reinvestment of distributions;
(2) Source: Reuters
(3) Based on Basic NAV; Source: Faircourt Asset Management

Distribution History	Since Inception	2017	2016	2015	2014
Total Distributions Per Share	$4.98	$0.29	$0.29	$0.48	$0.58

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Faircourt Gold Income Corp – June 2018 Update

The US Federal Reserve raised the federal funds rate a quarter percentage point to a range of 1.75%-2% in June. That's the highest level since 2008 and indicates that the Fed believes the US economy is strong enough to warrant such a hike to manage inflation. The word "accommodative" continues to be used in the central banks' communication, however a more hawkish tone with respect to interest rate increases was added along with the phrase "based on a sustained expansion of economic activity". Overall the Fed's assessment of the U.S. economy and of economic growth was positive. The Fed now faces a tricky balancing act trying to calibrate how to keep the economy moving forward without raising rates too quickly and snuffing out the economic recovery. On the other hand not raising rates fast enough could allow inflation to get out of control.

Moderating the Federal Reserve's positioning were concerns raised during the FOMC June meeting . Reserve officials noted that some businesses have indicated they had already "scaled back or postponed" plans for capital spending due to "uncertainty over trade policy", while several others voiced concern about the impact of trade restrictions on future investment. The minutes show that policymakers have detected rising concern among US business about the potentially harmful impact of tariffs, as growing trade tensions prompt some executives to freeze investment plans. Trade worries, however, are not yet eclipsing more positive news about the US economy. Although it is not a primary focus, the Fed has to consider the possibility that deteriorating trade relations between the US, and its trading partners whether it's China, Europe, Mexico, or Canada may cause economic weakness or volatility.

The Eurozone is already bracing for the fallout of tightening trade tensions with the U.S. The EU recently announced its interim forecast pegging growth at 0.2% lower than its spring forecast, around 2.1% for 2018 and 2% for 2019. The Commissioner for Economic and Financial Affairs, Taxation and Customs Pierre Moscovici said the downward revision was due to external factors such as U.S. trade uncertainty and high oil prices. Eurozone wages have finally begun to climb, but still lag overall economic growth. We believe that the UK and the Eurozone economies are particularly vulnerable given the combined uncertainty of Brexit and the trade dispute with the United States. Reflecting these factors, the U.K. is projected to slow to 1.3% for 2018, down 0.2%, meaning it will be one of the slowest-growing EU economies ahead of next year's scheduled date for Brexit.

One would assume that in this volatile environment, investors would allocate to safe haven assets. However with US dollar strength, the capital flows continue to go to US equities. Spurred by the combination of tax cuts and corporate earnings, and continued improvements in jobs are all leading to US strength. Down the road there are concerns as we see wage inflation and gradual interest rate rises that may serve to slow down what some see as an already over-heated economy. In addition to future inflationary concerns the US Federal Reserve is concerned with respect to potential adverse effects of trade barriers and other proposed trade barriers both domestically and abroad on future investment activity.

And although it has not received a lot of press coverage, the tax cuts approved earlier this year have pushed the US even further into deficit, with the annual shortfall now approaching $1 trillion and forecast to exceed this figure by 2020. In our opinion, fiscal deficits that are largely being financed externally, combined with trade negotiations and potential tariffs on those same countries that are financing the deficit adds potential downside risk to the US economy.

Gold is often seen as a hedge, a form of insurance to buy when equities become more uncertain or fall. That means it tends to underperform when other assets do well. Because in all ages and all cultures in history, gold's primary use – whether as jewelry, coin or central-bank reserves – has been to store value, rather than grow it. Over longer periods, and as a long-term form of insurance gold rises when the US equity market and the US dollar has fallen. Over the last half century, the S&P500 has losses for over 5 years more than one-fifth of the time (price index, not including dividends or costs or tax). When those periods happened, gold traded higher 98% of the time. During those periods, gold's gains were on average over 11 times greater than the drop in US equity prices, meaning that a small investment gold related investments went a long way to offsetting general equity market losses.

Regardless of recent market turmoil, equity markets have been surprisingly resilient despite the potential shocks stemming from President Trump's hostile words towards America's closest allies and his willingness to add new tariffs in support of American jobs. And with the markets being relatively sanguine about the growing list of concerns, the gold sector has not attracted significant interest.

Faircourt Gold Income Corp. is cross capitalization precious metals equity portfolio, with holdings that range from exploration to development stage all the way to senior gold producers. We continue to be more focused on the higher quality names in this environment. Companies with solid production, reasonable cost structures, and experienced management are favoured. At the same time, we believe that adding exposure to select smaller producers and developers with quality assets will be a profitable strategy as the industry struggles to find new deposits, particularly with less money being spend on exploration than in previous cycles. Gold mining companies are generating stronger cash flows than previous years leading to more spending on exploration and development, in addition to higher dividends among the senior producers. Yet the underlying metal price has only recently come off its bottom. From 2011 to 2013, prices peaked at around US$1,800 an ounce, before the precious metal sank to US$1,050, in late 2015. Since then, prices have come back up to between US$1,250 and US$1,300, but commodity prices have not been transferred into equity values.

The valuation of the Canadian dollar versus the U.S. dollar has meant expanded margins for those producers with substantial mining exposure in Canada and a significant portion of their operational expenses denominated in CAD." Similar situations exist for those companies in South Africa, Australia and Brazil.

Our portfolio does feature companies with significant Canadian mining assets. One of these companies is Agnico Eagle Mines Ltd., a key position in the Fund. Agnico Eagle is a senior Canadian gold mining company, founded in 1957. Its eight mine sites are located in Canada, Finland and Mexico, with exploration and development activities in each of these countries as well as in the United States and Sweden. We continue to hold Agnico as it has a reasonable cost structure, low geopolitical risk, and continues to execute well. While its valuation is not inexpensive, the quality of assets and managements record of execution warrant its premium multiple.

During the quarter the Fund's position in Detour Gold (TSX:DGC) contributed to positive returns. DGC is an intermediate gold producer in Canada that focusses on the acquisition, exploration, development, and operation of mining properties in Canada. The company's primary asset is the Detour Lake property consisting of a group of mining leases and claims totaling 625 square kilometers located in the District of Cochrane. Detour delivered a less than impressive 4.68% ROE over the past calendar year, compared to the 11.07% return generated by its industry. As a result, there have been some analysts who suggest the results could indicate a relatively inefficient operation relative to its peers, while some industry observers note a fairly strong balance sheet with very little debt, that could accelerate its returns in coming quarters. Reflecting investor frustration with the share performance, subsequent to quarter-end, Paulson & Co., a well-known US hedge fund that owns approximately 5% of the company announced that it is seeking to replace the Board and to have the company initiate a strategic review process in order to potentially find a buyer. Although Detour is a higher cost producer, its long mine life and low geopolitical location make it an attractive asset for the larger gold companies.

Pretium is one of BC's newer success stories, focussed on commercial production of its high grade underground project, the Brucejack Mine. The nature of this deposit means that quarterly production will be more variable than investors prefer and as a result, shares will continue to be quite volatile. As a result this quarterly variability may cause the company to trade at a larger than warranted discount, given the otherwise positive fundamentals of the company and the size of the deposit, it's location, and the exceptionally high grade of the deposit. In addition, we are able to benefit from the resulting share price volatility through our options writing program. We will often write calls following a positive quarter, as the market is buoyed by high production numbers and conversely, we will write puts following a disappointing quarter. In our view, these are transient events, and are not indicative of the longer-term value of the company.

Franco-Nevada Corporation (TSX:FNV) is a gold royalty and streaming company with a large and diversified portfolio of assets. Its business model provides investors with gold price and exploration optionality with less exposure to specific mining operational risks. FNV has no debt and uses its free cash flow to expand its portfolio and pay dividends. Results from its most recent quarterly report include $173.1 million in revenues which is a new company record on 115,671 gold equivalent ounces. Net income of $64.6 million was also its highest on record, and the company increased its dividend for the 11th consecutive year.

In order to generate additional returns and reduce risk, the Fund writes covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. We believe that option writing can continue to add incremental value going forward.

For the period ended June 30, 2018, the Fund generated income from option writing of approximately $0.66 million or $0.14 per weighted average number of shares outstanding. The Fund declared regular monthly distributions totalling $0.14 per Class A Share for the period. Since inception of FGX the Fund has generated over $24.98 million in option premium, or $5.31 per weighted average share. Year to date to June 30, 2018, the Fund's NAV combined with paid distributions during the quarter generated a return of -5.39% underperforming the TSX Gold Index return of -1.48%.