FAIRCOURT

GOLD INCOME CORP.

Fourth 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 December 31, 2018, the yield was 10.91%.

TOP TEN HOLDINGS as at December 31, 2018

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

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

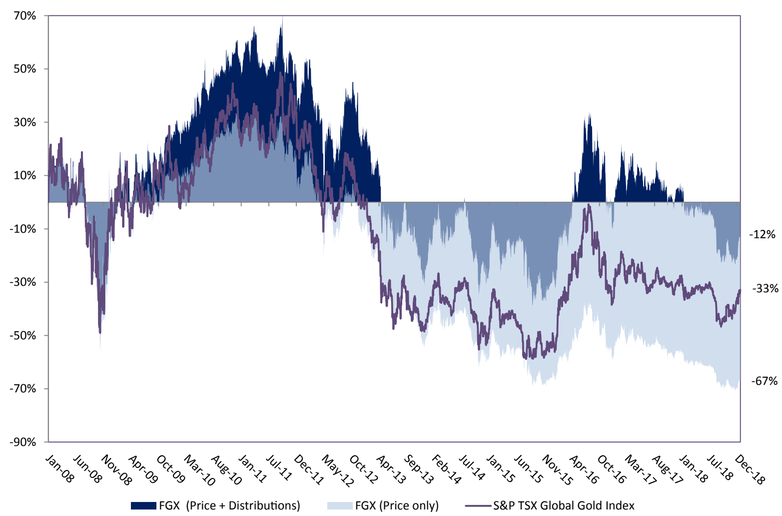
The Portfolio Advisor believes the fundamentals for investments in precious metals companies continue to be strong, especially during this uncertain global economic environment.

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 December 31, 2018

	1 Year	3 Year	5 Year	10 Year	Since Inception*
FGX – Price [1,2]	-16.78%	7.90%	3.34%	-0.91%	-2.75%
FGX – NAV [1,3]	-12.70%	9.49%	4.33%	-1.69%	-2.18%
FGX – Index	-3.44%	13.83%	4.56%	-5.04%	-3.48%

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

Distribution History	Since Inception	2018	2017	2016	2015	2014
Total Distributions Per Share	$5.19	$0.29	$0.29	$0.29	$0.48	$0.58

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Management fees and expenses are associated with an investment in the fund. The performance data provided assumes reinvestment of distribution only and does not take into account redemption charges or income taxes payable by any security holder that would have reduced returns. An investment in the fund is not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer. There can be no assurance that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.

FAIRCOURT

GOLD INCOME CORP.

Faircourt Gold Income Corp – December 2018 Update

The second half of the year was dominated by trade negotiations and fractious announcements from the United States on establishing new trade deals that would appear to better serve the American worker. Canadians witnessed this first hand with the re-negotiation of NAFTA that was originally created to eliminate barriers to trade and investment between the US, Canada and Mexico. President Trump has argued that NAFTA favored Mexico and Canada and pledged during his presidential run in 2016 to re-negotiate the agreement. At times the negotiations were described as intense and divisive but on September 30th Canada and the U.S. announced a tentative new trilateral trade deal with Mexico with a new name, the United States-Mexico-Canada Agreement (USMCA). Concessions were made by all three parties and now must wait for full government approval from all parties. Given the change in balance in the US House of Representatives and in the US Congress, it is by no means a legally binding agreement.

However we are already seeing the unintended results of this US focussed policy shift, such that the IMF and other global economic agencies have downgraded global growth and have suggested that down the road, this combination turns into inflationary pressure along with global economic dislocation and a slow-down caused by protectionism. In particular, there is heightened awareness and concerns with respect to how US-China trade relations spill over to the broader health of the global economy.

The Organization for Economic Cooperation and Development is concerned about a global slowdown in 2019. In a report in November, the OECD suggested that global growth has passed its peak and would decrease to 3.5% in 2019 and 2020 from 3.7% in the current year. Canada is expected to see slower growth by .3% over each of the next two years while the US is also expected to see a reduction of .8% from its GDP growth. European nations, as well as emerging markets, including China are all expected to see reduced growth rates. The MSCI World Index fell more than 11% for the year, while China's main index the Shanghai Composite has plummeted more than 27% in 2018.

Equity markets are seeing heightened volatility as central bankers are attempting to adjust the accommodative interest rate that they put in place nearly 10 years ago. At the same time we also see political challenges to global cooperation in many countries (Brexit, US populist groups) partly because politicians have showed more concern for large banks than ordinary citizens. Although this situation has been brewing for years, we are seeing challenges in Europe once again involving Italy and its debt negotiations with the EU, implying significant problems down the road. If Italy continues to run big deficits and bond rating agencies decide to downgrade Italian debt, the cost of servicing that debt could rise to a level that the Italian government could not realistically meet. That will be destabilizing for Europe as well as the global economy.

Moodys' has raised the issue of a downgrade in to China given the extent of trade uncertainty between the US and China. Moody's is concerned about the continued debt build up while the domestic Chinese economy is slowing. In addition, the US stance is strengthening against Beijing. In a speech Vice-President Pence gave in Papua New Guinea at the APEC conference, he didn't just talk about trade, he also included intellectual property, the South China Sea, forced technology transfers. So there's a long list of issues the US administration is now raising.

The 10-year equity bull market in the United States had been extended to the second half of the year aided by a few key measures. U.S. corporate tax cuts lowered the tax rate for businesses thereby adding cash flow to corporate coffers intended to be re-invested back into US based businesses. The tax cuts also allowed the repatriation of capital on a penalty reduced basis that has been added to business investment, capital expansion and infrastructure in many industries. In addition, protectionist trade measures have led to more jobs and higher wages in some sectors, which in the short term are going to keep the USD strong, while US employment will remain stable and consumption continues to improve.

Canada's economic outlook is also not clear. GDP growth in H218 began to weaken as the effects of trapped western Canadian oil production along with lower global energy prices have had a weakening effect on the overall Canadian economy. Since early 2017, Stephen Poloz, the Governor of the Bank of Canada has been raising the Bank's key lending rate which now sits at 1.75%. The concern was a perceived strengthening of the employment picture leading to wage inflation. That has led to a healthy debate about whether the BoC is too hawkish given the future of the Canadian economy within the framework or a newly formulated USMCA, the new trade pact enacted by the US, Mexico and Canada. There are several changes to the previous NAFTA framework that may cause challenges to Canadian manufacturing where content rules within the auto sector and other industries may cost Canadian jobs. At the time of writing, it is uncertain what the full effect of the new agreement will be and as a result, some analysts worry about the sustainability of the Canadian economy and the decision to raise interest rates at this time.

Adding to a clouded outlook for the Canadian economy is a national economic policy that isn't as focused on growth and jobs as it is focused on economic equality among provinces and environmental measures. In addition, the most recent Federal Budget has increased personal tax rates, that is having negative effects on consumption. The situation in Western Canada is also challenging as the energy sector deals with both weakening moderate global prices for oil, and pricing discounts resulting from the oil supply (in Canada) being trapped due to a lack of pipeline distribution to major global markets. Overall, our concern is the country's competitiveness, and so our portfolio is slightly more tilted in favour of US vs Cdn equities.

The central bank kept its key lending rate unchanged in early December after five rate increases since the middle of 2017. Governor of the BoC, Steven Poloz stated that there are significant negatives which could slow the pace of future rate hikes, including the steep price discount on Canadian crude, uncertainty over the final outcomes in the USMCA, and implications around business investment in the US-China trade show down.

As a result of these noted challenges, equity markets turned negative in the final quarter of the year, eliminating gains for the year from most sectors and indexes. For the year, the Dow Jones Industrial Average fell 5.6%; the S&P 500 ended the year down 6.2% while the Nasdaq Composite shed 3.9%, marking the worst annual performance for all three indices since 2008. Canadian equity markets have seen similar weakened performance. The TSX saw its peak mid-July and ended the year off by 12%. The last 12 weeks of the year has been significant in not only eliminating gains but it has also significantly changed investor sentiment. This is a time when nerves are tested, while valuations offer select opportunities. As the year ended the price of gold gained strength rising to over $1,280/oz USD, a peak for the precious metal in the second half of the year.

On Sept 24th, Barrick (ABX) and Randgold (GOLD) announced that they would merge with no premium to either shareholder base in order to create a world leading gold company focused on Tier 1 assets. GOLD is widely regarded as being one of the best managed gold companies, and has consistently posted among the highest returns on equity in the gold sector. ABX is the largest gold producer in the world with a portfolio of top producing gold mines but has struggled operationally and with poor capital allocation. Investors reacted positively to this proposed merger, which is has not been the case with a number of previous M&A transactions in the mining space.

With the positive response to this deal, additional transactions in the sector became more likely, and subsequent to year-end we saw a friendly deal between Newmont (NEM) and Goldcorp (G), where NEM agreed to purchase G at a price that works out to be approximately a 17% premium to G's 20 day average price at the time of the announcement. With G having struggled operationally for several years, NEM's bid is somewhat opportunistic but will create the largest gold producer in the world at 7.9 million oz/year. Additional deals, though smaller and more targeted, seem likely in 2019.

In another move designed to stir up the operations of certain producers, institutional hedge fund manager Paulson funds won a long proxy battle and was able to effect a complete change in the board of directors at Detour Gold (DGC). Paulson has long been critical of the board and management of the company for failing to maximize shareholder returns. While investors supported Paulson in this instance, it remains to be seen whether substantive changes can be made that will improve operations in the near term. There will be a period of uncertainty as the new board is established and communicates its strategy going forward selecting a new CEO to implement a new vision. We are cautiously supportive of their efforts.

The Fund added to its position in B2Gold during the year. B2Gold benefitted from strong performance from three key assets in 2018 (Fekola, Otjikoto, and Masbate). After a multii-year period of high capital spending, B2G has now reached the point of generating increasing free cash flow, which is allowing the company to begin paying down debt aggressively. Looking into 2019, we believe the company is positioned well to continue to pay down debt, and believe that the results of the expansion plan for Fekola (expected to be released at the end of Q1/19) to be an important catalyst for the stock.

With the two large mergers (Barrick-Randgold and Newmont- Goldcorp), Agnico-Eagle (AEM) may be a beneficiary of displaced funds in 2019. There is significant shareholder overlap between Newmont and Goldcorp, and with the announced merger institutions looking for a larger cap name operating in politically stable countries may be attracted to AEM. With this tailwind, AEM has the potential to outperform its peers in 2019.

As part of our strategy, the fund holds select positions in smaller cap names. Although higher risk, these names can provide excellent returns even when the overall market is weaker. An example of a small cap name that outperformed in 2018 was SIlvercrest (SIL), a position the fund has owned for several years. In 2018, SIL returned 122%, as it reported impressive drilling results from its high-grade Las Chispas project. In addition, on November 29th, SSR Mining purchased a 9.9% stake in SIL at a premium of approximately 19% (at the time of investment). We believe SSR's investment represents an important validation of the project while being small enough not to bea barrier for a potential acquisition of SIL by another suitor. For 2019, we look forward to seeing additional drill results and an updated resource estimate in the first quarter.

We believe the funds approach to combining a solid base of large cap names, with selective mid and small cap exposure, along with an active option writing program will perform well in 2019. After a long period of difficult rationalization, the gold industry looks poised to perform better in 2019 as a modestly higher gold price and greater focus on shareholder returns (sometimes driven by activist investors) help the companies show improved financial and operational metrics.

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. Since inception of the Fund, the Manager has generated significant income from option premium of approximately $25.73 million or $5.49 per weighted average number of Shares outstanding. For the year ended December 31, 2018, the Fund generated income from option writing of approximately $1.41 million or $0.313 per weighted average number of Share outstanding declaring regular monthly distributions totaling $0.288 per Share.

For the year ended December 31, 2018 the Fund returned -12.7% versus the benchmark performance of -3.44%. As we enter the quarter of 2019, heightened uncertainty has led to a global equity market sell off, a time when physical gold has stabilized and re-emphasized its role as a safe haven. We will continue to invest selectively in those precious metals companies in which we see promise. In addition, we will use our option writing program to generate a monthly income stream that we pay out to shareholders. The Fund will continue to manage its risk by not overpaying for growth and hold a concentrated portfolio of its best ideas that will navigate the Fund through these cautious markets.