FAIRCOURT

GOLD INCOME CORP.

Second Quarter 2019

Inception Date: November 16, 2007
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
NEO 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, 2019, the yield was 10.07%.

TOP TEN HOLDINGS as at June 30, 2019

- Agnico Eagle Mines Ltd.
- Alamos Gold Inc.
- B2Gold Corp
- Detour Gold Corp.
- Newmont Mining Corp.
- Osisko Mining Inc.
- Pretium Resources Inc.
- Roxgold Inc.
- Silvercrest Metals Inc.
- SSR Mining 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

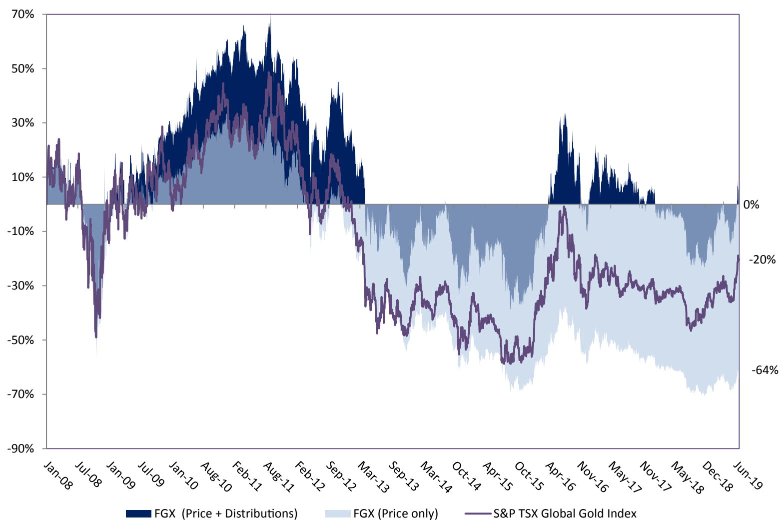
The Portfolio Advisor believes the fundamentals for investments in precious metals companies continue to be strong, especially during this uncertain global economic environment.

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, 2019

	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
FGX – Price [1,2]	14.13%	3.78%	-5.55%	0.52%	-1.20%	-1.52%
FGX – NAV [1,3]	15.30%	6.39%	-5.93%	1.72%	-0.98%	-0.88%
FGX – Index	18.77%	16.40%	-3.63%	3.27%	-2.53%	-1.89%

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

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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GOLD INCOME CORP.

Faircourt Gold Income Corp – July 2019 Update

The first half of 2019 saw the strongest first half performance for the TSX Composite in close to a decade. What was also noteworthy was the strong performance was not buoyed by traditional growth sectors such as the Finance or Energy sector. It was the precious metals sector that drove first half performance. Six of the top ten performers on the TSX in 1H were gold miners. The combination of the very weak Q418 and continued low interest rates have re-awakened the gold sector, with the TSX finishing the first half of the year with a YTD performance of approximately 16%.

For the first time since 2012, gold has risen above the $1,350 USD level, subsequent to quarter end trading in the mid $1,400 range. Gold historically moves in the opposite direction to the value of the US dollar and US interest rates. We witnessed in the period from 2008-2012 that when interest rates were cut dramatically, gold responded positively breaking the $1,900 USD/oz level. Gold gains traction with investors as a diversification and safe-haven tool in times of economic or political stress. Gold is a useful part of the portfolio as a stabilizer, and perhaps a source of liquidity in difficult times. When equity markets become volatile and there is pressure for corrections and an overall aversion away from risk assets that is a time when gold reasserts its position as a traditional safe haven.

There are a number of macro-economic factors that have been driving interest in precious metals. For close to two years, we have been discussing increased trade uncertainty between major trading partners slowly unravelling causing dislocation and volatility in equity markets. We have been witnessing significant trade tension this year as the U.S. and China have been embroiled in tariff battles and accusations of breaking technology transfer agreements. This has led to increased barriers from beef, canola and steel to wireless technology infrastructure.

One of the main drivers of the recent strength in the gold price is the continuing uncertainty surrounding the U.S.–China trade and the potential economic fallout if a deal is not hammered out. The G-20 Summit in Japan in late June did not help sooth fears when U.S. President Donald Trump and Chinese President Xi Jinping met in an unfruitful meeting adding further weight on global trade and equity prices, while providing gold, gold stocks with significant support.

In addition to trade tensions, we continue to see weakening economic results in Europe that are leading to discussions of a re-play on central bank usage of quantitative easing. Global central banks have maintained loose monetary policy since the financial crisis of 2008 and recent meetings between G7 leaders have raised the prospect of increased stimulus that also increases the value of precious metals market. European Central Bank (ECB) chief Mario Draghi signaled Europe could re-open stimulus measures in order to boost the European economy if the signs do not improve. With the central bank having already reduced bond yields to historically low rates, more rate cuts seem limited so the quantitative easing program could be reimplemented to create money to buy back bonds.

For several quarters, the Chairman of the US Federal Reserve has stated a preference to maintain interest rates and in fact raised rates with a goal to a more “normalized” rate environment as the economy showed continued strength over the last two years. Over the last 6-8 weeks, comments from the Federal Reserve’s most senior ranks are suggesting a very different direction for interest rates and the value of the US dollar. As Chairman Powell commented at the June FOMC meeting, factory conditions remain weakened, with slowing global growth. What was interesting was that the Chairman’s statement included an explanation that these factors are greater motivation for easing/reducing interest rates relative to recent upticks in either the CPI or PPI. The Fed Chair seems to be concerned with the downside risks to the US economy. US home sales have fallen to a five month low in May while consumer confidence dropped in June to its lowest level since September 2017.

With the comments from the Federal Reserve June meeting, the gold price rallied as the prospect of a change in monetary policy weakened the outlook for the U.S. dollar. A cheaper US dollar is bad for dollar-denominated assets, making them less attractive. But it’s good for gold, whose price tends to move in the opposite direction as the dollar.

Simmering in the background have been tensions in the Middle East providing more fuel to gold’s fire. On June 20th, Iran announced the downing of a US drone, the news adding more safe-haven buying to the jump in the price of gold. The U.S. Central Command leaders said the attack was “unprovoked” and it took place in international airspace, while Iran claims it was over their territory. Gold prices have continued to rise to fresh six-year highs surpassing the key $1,400 level.

With gold equities performing well in the first quarter, the fund was able to exit some positions that performed well during the quarter and enter some interesting new positions. The Fund has held a position in SEMAFO for several years. SEMAFO is an intermediate gold producer with long experience operating in West Africa. The company currently operates two mines – Boungou and Mana, in Burkina Faso. While we like the cash flow profile of the company, the Fund took the opportunity to reduce its position in Semafo as SEMAFO had returned 75% during the period and we believe that further upside will be more limited.

During the period the Fund established a position in Teranga Gold. Teranga has been a single asset gold company since 2010, operating the Sabadola mine in Senegal which is expected to produce over 200,000 oz of gold in 2019. Importantly, Teranga ins now close to commissioning its second project, Wahgnion, expected during the second half of the year. With a second producing asset, we believe tha there is room for Teranga to rerate to a higher NAV multiple. We believe there is significant option value realized if Teranga was able to acquire a nearby project, called Massawa, from Barrick Gold. Barrick has indicated that this asset is non-core, so the potential for a transaction is high. Teranaga is the natural acquiror of this project as using Teranga’s existing mill, the economics of the project are significantly improved, with capex being reduced by more than 50%. And with no other mills in proximity, other bidders for the asset are less likely.

Detour Gold, a position the Fund has held for a number of years performed very well during the period, gaining 43%. Investors have been frustrated with this name, as mining and production issues have frequently caused disappointing quarters. Although we shared that frustration, we continued to believe that the underlying asset had value in excess of the share price and our patience with the name is now being rewarded. A large, long-life, gold asset in a politically stable jurisdiction is a scarce asset with inherent value. During the first half, increases in the gold price along with management and board changes pushed by activist investors both helped improve sentiment for the Company. Detour is well positioned to outperform in a rising gold price environment, as its costs are.

The Fund also entered into a position in Continental Gold during the period. Continental is building Buritica, a large (potentially 300,000 oz/year) high grade gold mine in Columbia and was trading very cheaply (0.5x NAV) for such a large, high quality deposit. With Newmont as an investor, and the project funding virtually complete, we believe the stock will continue to rerate positively. Over the period, Continental rose 68%. In part this is a reflection on deeply sold off the junior gold names had become after the challenging market in 2018.

On March 11th, Newmont and Barrick announced the creation of a Joint Venture in Nevada. Each company has significant operations in the state, often with overlapping or inefficiently utilized assets. The company’s believe that over time an impressive $5 billion of synergies can be realized from the JV. Successful restructuring of the Nevada operations in this JV will generate material shareholder value. The resulting entity will be the world’s largest gold producer, with pro-forma 2018 production of over 4 million oz and 48 million oz of reserves. While this announcement is clearly a massive positive for each of the companies, we also believe it is an important signal to investors that the gold miners are willing to consider more significant operational and structural changes to unearth shareholder value.

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 continues to perform well into 2019.

We believe we are seeing the early stages of what is shaping up to be a long term growth phase in the precious metals sector. For long term investors, patience is paying off after a long period of difficult rationalization. We believe that the gold industry is poised to perform well in the second half of 2019 as higher gold prices caused by various macro factors discussed above, help the companies show improved financial and operational performance.

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 $26.43 million or $5.66 per weighted average number of Shares outstanding. For the half year ended June 30, 2019, the Fund generated income from option writing of approximately $0.70 million or $0.17 per weighted average number of Share outstanding declaring regular monthly distributions totaling $0.144 per Share.

For the first half of the year the Fund generated a return of 14.13% on a price basis versus the benchmark performance of 18.77%. As we enter the second half of 2019, heightened uncertainty has led to renewed calls from central bankers for easing money supply. This is a time when physical gold has stabilized, asserted its strength 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.