

2022 Interim Report  
FAIRCOURT GOLD INCOME  
CORP.



FAIRCOURT  
— *Asset Management Inc.* —

**Leading The Way To Prosperity.**



# FAIRCOURT GOLD INCOME CORP.

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NEO Symbol: FGX (Redeemable Class A Shares)

Eligibility: RRSP, RIF

Incorporation Date: September 6, 2007

Inception of Operations: November 16, 2007

Fund Manager: Faircourt Asset Management Inc.

Investment Advisor: Faircourt Asset Management Inc.

This interim management report of fund performance contains financial highlights of the investment fund. Complete financial statements of the investment fund are also attached. Securityholders may contact us by calling the toll free number 1.800.831.0304, by writing to us at Faircourt Asset Management Inc., 120 Adelaide Street West, Suite 2107, Toronto, ON M5H 1T1 or by visiting our website at [www.faircourtassetmgt.com](http://www.faircourtassetmgt.com) or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com) to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly disclosure relating to the investment fund.



## Management Report of Fund Performance

This Interim Management Report of Fund Performance presents management's view of the significant factors and developments during the past period that have affected the Fund's performance and outlook and should be read in conjunction with the audited financial statements of the Fund for the period ended June 30, 2022 and the unaudited financial statements for the year ended December 31, 2021 together with the notes related thereto.

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward looking statements. Investors should not place undue reliance on forward looking statements. These forward looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

### Investment Objective and Strategies

Faircourt Gold Income Corp. (the "Company", or the "Fund") has been created to provide investors with exposure to the leading global companies primarily involved in gold exploration, mining or production including those in the S&P/TSX Global Gold Index, while also providing monthly distributions.

The Company's investment objectives are to provide Shareholders with:

- (i) monthly distributions, initially targeted to yield 5% (\$0.04167 per Class A Share per month) per annum based on the issue price of \$10.00 per Class A Share; and
- (ii) the opportunity for capital appreciation.

The Investment Advisor to the Company is Faircourt Asset Management Inc. ("Faircourt" the "Manager"). Faircourt, together with its affiliates, currently provides management services to one NEO Exchange listed closed end fund, Faircourt Split Trust and one NEO Exchange listed corporation, Faircourt Gold Income Corp. Faircourt also acts as Portfolio Advisor to the Ninepoint Alternative Health Fund.

In order to generate additional returns, reduce risk and generate a monthly income stream, the Company writes covered call options on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. Writing call options tends to decrease the Fund's exposure to the underlying instrument. Writing put options tends to increase the Fund's exposure to the underlying instrument. The Fund's current distribution is \$0.024 per Class A share per month.

### Risk

There were no material changes to the Company over the financial period that affected the overall level of risk associated with an investment in the Company.

The risks of investing in the Company are discussed in the Company's 2021 Annual Information Form.

### Results of Operations

#### Market Commentary and Outlook:

The gold price was essentially flat during the first half of 2022, gaining 0.6% to \$1,817, while gold equities struggled to find their footing, closing the period down 10.2%. Gold demand was driven by competing factors, with high interest rates and the resulting increased opportunity cost of holding gold (a non-yielding asset) lowering demand while geopolitical risks such as the war in Ukraine balanced this with stronger safe haven buying.

Gold generally performs well during times of higher inflation. The current bout of inflation has been driven by a number of factors, not all of which can be easily solved. Supply chain issues caused by lockdowns take time to resolve and have continued to wreak havoc in some countries such as China where widespread lockdowns have significantly affected production. Labour issues continue to plague many industries due to staffing shortages resulting from COVID lay-offs; labour migration to other industries, as well as sick leave from waves of COVID variant sickness. In this environment, inflation may prove more durable than expected, even as the US Federal Reserve continues to hike rates pushing the US economy into a slower pace and potentially recession. There were few disinflationary signals to celebrate in the June inflation print with the reading of the Consumer Price Index (ex food and energy) showing that inflation continues to be an issue despite the FED's attempts to curb it with rate increases or with the implementation of quantitative tightening. The June CPI was +50bps from May and +9.1% year over year. This is a challenging environment for many asset classes but one in which gold has historically performed quite well averaging 22% returns in periods where inflation has exceeded 5% since 1971 (is this source? World Gold Council)

The first half of 2022 has been a US dollar story. DXY, an index that tracks the value of the USD vs a basket of trading currencies rose an impressive 16.6% during the period outperforming equity markets and bonds. Given USD strength, gold performed surprisingly well. Not surprisingly, gold returns in other currencies are significantly higher including 9.7% in Pounds Sterling, and 7.2% in Euro terms vs the S&P 500 down 20% over the same period. As stated previously, gold equities struggled ending the first half of 2022 -10.2%. Important to consider is that gold equities are often weak in the early stages of market downturns but historically has been one of the first sectors to recover, as the equities follow the commodity higher.

The global economy is entering an economic slowdown and the data being released is confirming this for us. Since Q4-21, the bond market has been signaling a rising rate environment. In addition, market participants may not be fully appreciating the upcoming earnings season challenges. This time last year, economic growth was accelerating, inflation was accelerating, earnings growth was accelerating along with monetary easing and fiscal easing. Now in the back half of 2022 we will likely see growth and inflation deaccelerating, earnings weakness along with monetary policy tightening.

Security selection will continue to be important in the gold sector, as cost pressures and resource nationalism will both increase risks to stock prices in the sector. We will continue to favour those companies with high quality assets operating in safer jurisdictions but will also look for smaller companies with high return potential.

K92 (KNT), a top ten holding in the fund is a good example of a company we see has having strong return potential despite being a single asset operator.



K92's Kainantu mine in Papua New Guinea continues to be a strong asset with impressive grades and excellent exploration potential. Though Q2 grades were somewhat lower than expectations due to stope sequencing, KNT still managed to post a +8.1% return during H1/22.

The fund increased its position in Franco-Nevada (FNV) during the period. FNV has a diversified portfolio of royalties, focused on the gold sector. FNV's royalty payment structure helps insulate it from the cost pressures gold producers face during inflationary periods. FNV held in relatively well during the period posting better than index returns, down 4.4%.

Gold traditionally performs better during periods of heightened geopolitical risk. With the Russia Ukraine war now in its sixth month, increased negotiations on the part of non-aligned countries now wanting entry into NATO in addition to the threat of Russian natural gas being shut off from Europe, we would, all things being equal anticipate higher gold prices. The challenging force in this environment is that with rising US FED policy relative to other currencies, we see a continued stronger USD that acts as a headwind to gold prices. However we see a decelerating economic environment in the US, one that with continued FED tightening should lead to reduced economic strength. At that time, gold may turn the corner. Until that time, we remain patient.

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.

For the year to date period ending June 30, 2022, the Fund generated income from option writing of approximately \$0.27 million or \$0.094 per weighted average number of shares outstanding declaring regular monthly distributions totaling \$0.144 per Share. For the period ending June 30, 2022, the Fund generated a total return of -6.43% on a market price basis and -17.94% on a NAV basis versus its benchmark, the S&PTSX Global Gold Index performance of -9.26%.

#### Portfolio Positions

As at June 30, 2022, the Fund maintained a solid base of senior and intermediate gold companies while selectively looking for value in smaller growth oriented gold companies primarily involved in gold exploration, mining or production. Based on the Schedule of Investments, common shares which, by index weight, are the ten largest companies in the S&P/TSX Global Gold Index, comprised 37.79% of the market value of the Company's investment portfolio; gold and precious metals companies other than these portfolio companies comprised 52.55%, cash 9.80%, cash secured put contracts -0.16%, covered call contracts -0.01%. As at June 30, 2022, approximately 30% of cash were pledged for the Fund's option writing program.

#### Option Writing

The Fund will continue to invest in leading global gold companies primarily involved in gold exploration, mining or production while using its option writing program to lower the fund's volatility and generate a monthly income stream. In order to generate additional returns and reduce risk, the Fund may write covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. Writing call options tends to decrease the Fund's exposure to the underlying instrument. Writing put options tends to increase the Fund's exposure to the underlying instrument. Moderate volatility in the Fund's underlying investments allowed the Fund to generate income from option writing of approximately \$0.27 million or \$0.65 per weighted average number of redeemable Class A

Shares outstanding declaring regular monthly distributions totaling \$0.144 per Class A Shares during the period ended June 30, 2022. Since inception of the Fund, the Manager has generated significant income from option premium of approximately \$28.38 million or \$6.48 per weighted average number of Shares outstanding. The Manager continues to believe that option writing can add incremental value going forward.

#### Shareholder Activity

During the period ended June 30, 2022, 190,700 Class A Shares were tendered for redemption to Faircourt Gold Income Corp. for cash proceeds of \$0.78 million in accordance with the Company's monthly and annual redemption privileges.

As at June 30, 2022, the Company had 2,774,104 redeemable Class A Shares outstanding. The NAV of the redeemable Class A Shares ended the year at a level of \$3.10 on June 30, 2022. The redeemable Class A Shares ended trading on the NEO Exchange at \$3.36. Closed end funds may trade above, at or below their NAV per share. At June 30, 2022, the redeemable Class A Shares were trading at a premium of approximately 8% to the underlying NAV.

#### Liquidity and Capital Resources

Pursuant to an agreement with a Canadian chartered bank (the "Bank"), the Company maintains a 365 day revolving term loan facility for a maximum amount of \$3.5 million or 20% of the Company's assets, whichever is less. The loan facility is secured by a first ranking and exclusive charge on all of the Company's assets and will be renewable annually at the option of the Company with the approval of the Bank. The Company has the option of borrowing at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage. The Loan Facility permits the Company to borrow funds for various purposes, including, without limitation, making investments in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions, effecting market purchases or redemptions of Shares, paying fees and expenses of the Company or providing security for put options.

During the reporting period, the Fund employed leverage from its loan facility (as described in the preceding paragraph). The minimum and maximum leverage during the period from the facility was \$2.2 million. Subsequent to period end \$300,000 of cash on deposit with the Bank and intended for loan repayment was applied against the loan facility, bringing the principal outstanding to \$1.9 million. The Fund also uses exchange traded equity call options and put options, however these instruments do not further increase the Fund's leverage as either the underlying security is held (in the case of covered calls) or the position is secured with cash (in the case of puts).

#### Fees and Expenses

During the year, the Company incurred management fees and operating expenses of \$0.22 million (excluding trading costs and withholding taxes). The management expense ratio for period ended June 30, 2022 was 3.90% compared to 3.46% for year ended December 31, 2021. The increase is mainly due to lower average assets in 2022.



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## Recent Developments

There have been no recent developments in the market outlook or operations of the Fund that represent a material change for investors other than as described in the Results of Operations.

The continued worldwide spread of coronavirus (COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios. As the impacts of the COVID-19 pandemic continue to materialize, the Manager is monitoring the developments in equity markets generally, and in connection with the Fund's investment portfolios in particular. The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Fund's financial results.

## Related Party Transactions

The Company retained Faircourt Asset Management Inc. to act as Manager under the Management Agreement dated October 30, 2007. On July 2, 2012 Faircourt Asset Management took on the role of Option Advisor as per the announcement made on April 2, 2012. The Company will pay an annual management fee of 1.10% per annum of the Net Asset Value, calculated daily and payable monthly, plus an amount calculated daily and payable quarterly equal to the Service Fee (defined below) payable by the Manager to registered dealers, plus applicable taxes. During the period ended June 30, 2022, a total of approximately \$0.07 million was charged by the Manager for management and administrative services.

The Manager will pay to registered dealers a service fee calculated daily and payable quarterly in arrears at an annual rate equal to 0.40% of the Net Asset Value per share of the shares held by clients of the sales representatives of such registered dealers, plus applicable taxes.

The Manager has standing instructions from the Independent Review Committee (IRC) regarding trade allocation and inter-fund trading. Standing instructions are reviewed and reapproved annually.



## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal period indicated.

### The Fund's Net Assets Per Share (\$)

	Period Ended June 30, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Net assets, beginning of period</b>	<sup>(1)</sup> \$ 3.93	\$ 4.91	\$ 3.79	\$ 2.85	\$ 3.59	\$ 3.69
<b>Increase (decrease) from operations:</b>						
Total revenue	0.12	0.28	0.19	0.29	0.31	0.31
Total expenses	(0.08)	(0.15)	(0.15)	(0.12)	(0.10)	(0.11)
Realized gains (loss) for the period	0.12	0.58	0.83	0.23	(0.27)	0.16
Unrealized gains (loss) for the period	(0.80)	(1.42)	0.56	0.76	(0.39)	(0.16)
<b>Total increase (decrease) in net assets from operations</b>	<b>(0.63)</b>	<b>(0.71)</b>	<b>1.43</b>	<b>1.17</b>	<b>(0.46)</b>	<b>0.21</b>
<b>Distributions:</b>						
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
Return of capital	(0.14)	(0.29)	(0.29)	(0.29)	(0.29)	(0.29)
<b>Total distributions during the period</b>	<b>(0.14)</b>	<b>(0.29)</b>	<b>(0.29)</b>	<b>(0.29)</b>	<b>(0.29)</b>	<b>(0.29)</b>
<b>Net assets, end of period</b>	<sup>(1)</sup> \$ <b>3.10</b>	\$ <b>3.93</b>	\$ <b>4.91</b>	\$ <b>3.79</b>	\$ <b>2.85</b>	\$ <b>3.59</b>

### Ratios and Supplemental Data

	Period Ended June 30, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Net assets attributable to holders of redeemable Class A shares	<sup>(3)</sup> \$ 8,613,293	\$ 11,638,294	\$ 16,100,895	\$ 14,478,470	\$ 12,620,106	\$ 16,864,725
Number of redeemable Class A shares outstanding	<sup>(3)</sup> 2,774,104	2,964,804	3,277,204	3,819,704	4,431,025	4,699,975
Management expense ratio	<sup>(4)</sup> 3.90%	3.46%	3.27%	3.68%	3.39%	2.85%
Management expense ratio before waivers or absorptions	3.90%	3.46%	3.27%	3.68%	3.39%	2.85%
Portfolio turnover rate	<sup>(5)</sup> 27.26%	70.78%	65.04%	142.95%	112.09%	88.25%
Trading expense ratio	<sup>(6)</sup> 0.16%	0.23%	0.24%	0.50%	0.41%	0.30%
Net asset value per redeemable Class A share	<sup>(7)</sup> \$ 3.10	\$ 3.93	\$ 4.91	\$ 3.79	\$ 2.85	\$ 3.59
Closing market price per redeemable Class A share	<sup>(8)</sup> \$ 3.36	\$ 3.73	\$ 4.61	\$ 3.48	\$ 2.64	\$ 3.51

(1) Presented in accordance with National Instrument 81-106 and, as a result, is not intended to act as a continuity schedule of beginning and ending net assets per share. This is because under NI 81-106 the increase (decrease) in net assets from operations per unit is based on the weighted average number of shares outstanding during the relevant period, while net assets per share and distributions per share are based on the actual number of shares outstanding at the relevant time.

(2) Regular monthly distributions were paid in cash. Tax character of the distributions is a mid-year estimate only and may change substantially for year-end.

(3) This information is provided as at end of the period shown. The inception date of the Fund was November 16, 2007.

(4) Management expense ratio is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period (excluding distributions, commissions and other portfolio costs) including the Fund's issuance costs (in applicable years) and is expressed as an annualized percentage of daily average net asset value of the Fund during the period. The management expense ratio is annualized for periods less than one year.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, and excluding cash and short term investments maturing in less than one year, by the average of the monthly market value of investments during the period. Premiums paid to purchase options have been included in the value of portfolio securities purchased during the period. Premiums received from the sale of options have been included in the value of the portfolio securities sold in the period.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is annualized for periods less than one year.

(7) The net asset value per redeemable Class A share is based on securities held in the portfolio being valued on the last traded price of the period shown.

(8) The closing market price as per the TSX (2017) and NEO (2018 to present) as at end of the period shown.

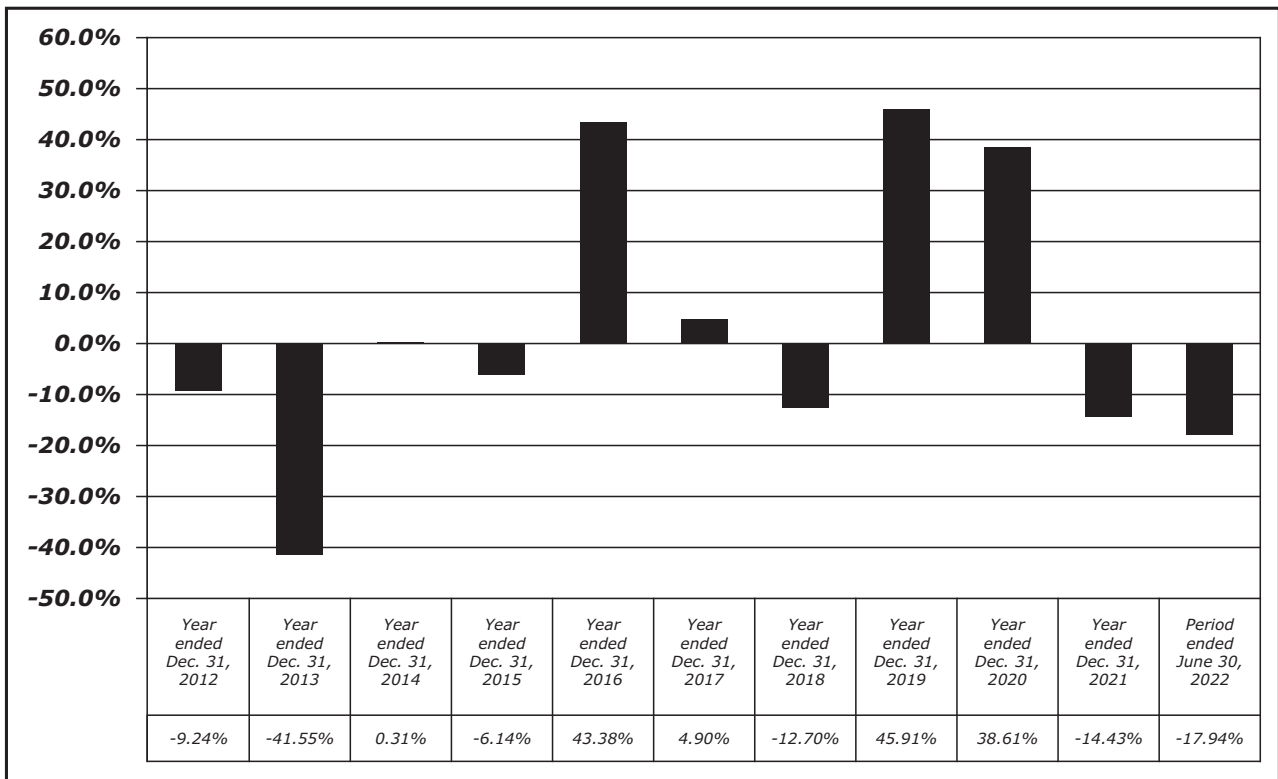


### Past Performance

The following charts shows how Faircourt Gold Income Corp. has performed in the past, and can help you understand the risks of investing in the Company. The performance information assumes that all distributions made by the investment fund in the years shown were reinvested in additional Redeemable Shares of the Company. The performance information does not include deduction of sales, redemption, distribution or optional charges (which dealers may charge) or income taxes payable that would have reduced returns or performance. The Company's past performance does not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows Faircourt Gold Income Corp's performance for each of the years shown, and illustrates how the Company's performance has changed from year to year. The chart shows, in percentage terms, how an investment held on the first day of each fiscal year would have increased or decreased by the last day of the fiscal year.





## Summary of Investment Portfolio as at June 30, 2022

Summary of Investment Portfolio	% of Net Asset Value
Long Positions – Equities	115.68%
Cash and Cash Equivalents *	12.55%
Short Positions – Cash Secured Put Contracts	-0.16%
Short Positions – Covered Call Contracts	-0.01%
Other net liabilities	-28.06%
	<b>100.00%</b>
<b>Total Net Asset Value</b>	<b>\$ 8,613,293</b>

Top 25 Portfolio Positions	% of Net Asset Value
<b>Long Positions – Equities:</b>	
1 Agnico Eagle Mines Ltd.	13.07%
2 Barrick Gold Corp.	12.45%
3 Franco-Nevada Corp.	9.44%
4 Alamos Gold Inc.	9.44%
5 K92 Mining Inc.	8.12%
6 B2Gold Corp	6.33%
7 Dundee Precious Metals Inc.	6.33%
8 Endeavour Mining PLC	6.26%
9 Wheaton Precious Metals Corp.	5.40%
10 Newmont Corp.	3.92%
11 MAG Silver Corp.	3.65%
12 SSR Mining Inc.	3.50%
13 Eldorado Gold Corp.	3.48%
14 Aurion Resources Ltd.	2.89%
15 Osino Resources Corp.	2.88%
16 Hudbay Minerals Inc.	2.41%
17 Royal Gold Inc.	2.40%
18 Osisko Mining Inc.	2.31%
19 GoGold Resources Inc.	1.90%
20 Kinross Gold Corp.	1.72%
21 Troilus Gold Corp.	1.41%
22 Torex Gold Resources Inc.	1.18%
23 Montage Gold Corp.	1.04%
24 Gold Standard Ventures Corp.	0.93%
25 Amex Exploration Inc.	0.85%
<b>Total Net Asset Value represented by long positions</b>	<b>113.28%</b>
<b>Short Positions – Cash Secured Put Contracts</b>	
1 Newmont Corp., July 2022 @ \$62.00 USD	-0.16%
<b>Total Net Asset Value represented by short positions</b>	<b>-0.16%</b>
<b>Short Positions – Covered Call Contracts</b>	
1 Agnico Eagle Mines Ltd., July 2022 @ \$70.00 CAD	0.00%
2 Hudbay Minerals Inc., July 2022 @ \$8.25 CAD	0.00%
<b>Total Net Asset Value represented by short positions</b>	<b>-0.01%</b>
<b>Total Net Asset Value represented by these holdings</b>	<b>113.11%</b>
<b>Cash and Short Term Investments *</b>	<b>12.55%</b>

The Fund was launched on November 16, 2007.

\* As at June 30, 2022 approximately 30% of cash has been pledged for cash secured puts.

Percentages reported are based on Net Asset Value

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end by visiting [www.faircourttassetmgr.com](http://www.faircourttassetmgr.com).





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## Notice of No Auditor Review of the Semi-Annual Financial Statements

Faircourt Asset Management Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants Canada.



## Statements of Financial Position

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
<b>Assets</b>		
<b>Current assets</b>		
Investments	\$ 9,963,554	\$ 11,354,383
Cash and cash equivalents (Note 7)	1,080,828	2,666,147
Amounts receivable for investments sold	—	55,673
Dividends, interest and other receivable	31,781	53,088
	<b>11,076,163</b>	14,129,291
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	181,342	187,136
Written options (Note 7)	14,829	32,586
Distributions payable to shareholders (Note 6)	66,699	71,275
Loan facility (Note 9)	2,200,000	2,200,000
	<b>2,462,870</b>	2,490,997
<b>Net assets attributable to holders of redeemable Class A shares (Note 5)</b>	<b>\$ 8,613,293</b>	\$ 11,638,294
Redeemable Class A shares outstanding (Note 5)	2,774,104	2,964,804
<b>Net assets attributable to holders of redeemable Class A shares per share</b>	<b>\$ 3.10</b>	\$ 3.93

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors of Faircourt Asset Management Inc.

**Douglas Waterson**  
Director

**Charles Taerk**  
Director

Statements of Comprehensive Loss  
(Unaudited)

	Period ended June 30, 2022	Period ended June 30, 2021
<b>Income (loss)</b>		
Net gains on investments and derivatives		
Dividends	\$ 85,423	\$ 80,782
Income from derivatives (Note 7)	269,983	381,616
Realized gain on sale of investments	313,249	1,446,000
Change in unrealized depreciation on investments and derivatives	<b>(2,321,859)</b>	(3,068,979)
	<b>(1,653,204)</b>	(1,160,581)
Other income (loss)		
Foreign exchange gain (loss)	54,153	(11,109)
	<b>(1,599,051)</b>	(1,171,690)
<b>Expenses</b>		
Management fees (Note 8)	67,871	84,035
Service fees (Note 8)	24,681	30,558
Audit fees	20,678	23,610
Legal fees	9,670	9,682
Securityholder reporting costs	50,324	53,988
Independent review committee fees	11,575	12,202
Custodial fees	5,274	5,281
Interest on loan facility	33,619	34,558
Commissions and other portfolio transaction costs (Note 10)	8,923	17,308
Withholding taxes	1,544	1,967
	<b>234,159</b>	273,189
<b>Decrease in net assets attributable to holders of redeemable Class A shares</b>	<b>\$ (1,833,210)</b>	\$(1,444,879)
<b>Decrease in net assets attributable to holders of redeemable Class A shares per share (Note 5)</b>	<b>\$ (0.63)</b>	\$ (0.46)

The accompanying notes are an integral part of these financial statements.

(1) Based on the weighted average number of redeemable Class A shares outstanding during the year (Note 5)



## Statements of Cash Flows (Unaudited)

	Period ended June 30, 2022	Period ended June 30, 2021
<b>Cash flows provided by (used in) operating activities</b>		
Decrease in net assets attributable to holders of redeemable Class A shares	\$ (1,833,210)	\$ (1,444,879)
<b>Adjustments for:</b>		
Purchase of investment securities and derivatives	(3,408,043)	(5,276,909)
Proceeds from disposition of investment securities and derivatives	2,772,505	7,175,810
Decrease (increase) in dividends, interest and other receivable	21,307	(11,140)
Decrease (increase) in amounts receivable for investments sold	55,673	(484,840)
Increase (decrease) in accounts payable and accrued liabilities	(5,794)	4,721
Net change in unrealized depreciation on investments and derivatives	2,321,859	3,068,979
Realized gain on sale of investments	(313,249)	(1,446,000)
	<u>(388,952)</u>	<u>1,585,742</u>
<b>Cash flows provided by (used in) financing activities</b>		
Advance from (repayment of) loan facility	—	(400,000)
Distributions to holders of redeemable Class A shares	(417,777)	(456,923)
Amounts paid on redemption of redeemable Class A shares	(778,590)	(1,415,047)
	<u>(1,196,367)</u>	<u>(2,271,970)</u>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(1,585,319)</b>	<b>(686,228)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,666,147</b>	<b>1,585,799</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,080,828</b>	<b>\$ 899,571</b>
<b>Represented by:</b>		
Cash	\$ 1,080,828	\$ 899,571
<b>Supplemental cash flow information</b>		
Dividends received, net of withholding taxes *	\$ 83,879	\$ 77,617
Interest paid on loan facility (financing)	\$ (33,541)	\$ (26,289)

\* Included in operating activities

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares (Unaudited)

	Period ended June 30, 2022	Period ended June 30, 2021
<b>Decrease in net assets attributable to holders of redeemable Class A shares</b>	<b>\$ (1,833,210)</b>	<b>\$ (1,444,879)</b>
<b>Shareholder transactions (Note 5)</b>		
Amounts paid on redemption of redeemable Class A shares	(778,590)	(1,415,047)
<b>Distributions to holders of redeemable Class A shares</b>		
Return of capital	(413,201)	(449,425)
<b>Net decrease in net assets attributable to holders of redeemable Class A shares during the period</b>	<b>(3,025,001)</b>	<b>(3,309,351)</b>
<b>Net assets attributable to holders of redeemable Class A shares, beginning of period</b>	<b>11,638,294</b>	<b>16,100,895</b>
<b>Net assets attributable to holders of redeemable Class A shares, end of period</b>	<b>\$ 8,613,293</b>	<b>\$ 12,791,544</b>

The accompanying notes are an integral part of these financial statements.

# Schedule of Investments

As at June 30, 2022  
(Unaudited)



Number of Shares	Security	Cost (\$)	Fair Value (\$)	Percent of Portfolio	
<b>Equities</b>					
19,086	Agnico Eagle Mines Ltd.	\$ 1,342,984	\$ 1,126,035	10.21%	
90,000	Alamos Gold Inc.	688,646	812,700	7.37%	
43,800	Amex Exploration Inc.	77,070	73,146	0.66%	
370,950	Aurion Resources Ltd.	503,223	248,536	2.25%	
125,000	B2Gold Corp	533,376	545,000	4.94%	
46,996	Barrick Gold Corp.	1,260,374	1,072,122	9.72%	
65,000	Calibre Mining Corp.	68,215	63,050	0.57%	
85,000	Dundee Precious Metals Inc.	679,103	544,850	4.94%	
36,500	Eldorado Gold Corp.	363,714	299,665	2.72%	
20,250	Endeavour Mining PLC	510,284	539,258	4.89%	
4,800	Franco-Nevada Corp.	835,603	812,736	7.37%	
80,000	GoGold Resources Inc.	165,995	164,000	1.49%	
195,000	Gold Standard Ventures Corp.	232,786	79,950	0.72%	
39,500	Hudbay Minerals Inc.	338,408	207,375	1.88%	
20,000	i-80 Gold Corp.	30,372	46,400	0.42%	
135,000	Idaho Champion Gold Mines, Warrants, \$0.45 CAD, 2023/07/29	—	435	0.00%	
90,000	K92 Mining Inc.	267,433	699,300	6.34%	
32,100	Kinross Gold Corp.	294,361	147,858	1.34%	
20,000	MAG Silver Corp.	440,900	314,200	2.85%	
25,000	Marathon Gold Corp.	43,150	33,000	0.30%	
160,000	Montage Gold Corp.	176,000	89,600	0.81%	
4,387	Newmont Corp.	321,516	337,673	3.06%	
230,000	Osino Resources Corp.	303,450	248,400	2.25%	
65,000	Osisko Mining Inc.	175,954	198,900	1.80%	
189,500	Rio2 Ltd.	91,055	53,534	0.49%	
100,000	Rio2 Ltd., Warrants, \$0.50 CAD, 2022/08/13	—	3,473	0.03%	
1,500	Royal Gold Inc.	211,496	206,611	1.87%	
14,000	SSR Mining Inc.	332,451	301,590	2.73%	
10,200	Torex Gold Resources Inc.	186,204	101,388	0.92%	
225,000	Troilus Gold Corp.	299,523	121,500	1.10%	
50,000	Westhaven Gold Corp., Warrants, \$1.00 CAD, 2023/03/03	—	6,500	0.06%	
10,000	Wheaton Precious Metals Corp.	597,278	464,769	4.21%	
	<b>Total Equity Investments</b>	<b>\$ 11,370,924</b>	<b>\$ 9,963,554</b>	<b>90.34%</b>	
<b>Options</b>					
Number of Options	Holdings/Expiry Date/Strike Price	Underlying Interest	Cost (\$)	Fair Value (\$)	Percent of Portfolio
<b>Short Positions – Cash Secured Put Contracts</b>					
(40)	Newmont Corp., July 2022 @ \$62.00 USD	(4,000)	\$ (4,022)	\$ (14,189)	-0.13%
	<b>Total Short Positions – Cash Secured Put Contracts</b>		<b>\$ (4,022)</b>	<b>\$ (14,189)</b>	<b>-0.13%</b>
<b>Short Positions – Covered Call Contracts</b>					
(40)	Agnico Eagle Mines Ltd., July 2022 @ \$70.00 CAD	(4,000)	\$ (4,520)	\$ (240)	0.00%
(200)	Hudbay Minerals Inc., July 2022 @ \$8.25 CAD	(20,000)	(3,300)	(400)	0.00%
	<b>Total Short Positions – Covered Call Contracts</b>		<b>\$ (7,820)</b>	<b>\$ (640)</b>	<b>-0.01%</b>
	<b>Total Investments and Derivatives before Cash</b>		<b>\$ 11,359,082</b>	<b>\$ 9,948,725</b>	<b>90.20%</b>
<b>Cash</b>					
	Canadian Dollar		\$ 686,730	\$ 686,730	6.23%
	U.S Dollar		392,521	394,098	3.57%
	<b>Total Cash</b>		<b>\$ 1,079,251</b>	<b>\$ 1,080,828</b>	<b>9.80%</b>
			\$ 12,438,333	\$ 11,029,553	100.00%
	Less: Adjustments for transactions costs (Note 3)		(5,173)		
	<b>Total Investments, Derivatives and Cash</b>		<b>\$ 12,433,160</b>	<b>\$ 11,029,553</b>	<b>100.00%</b>



# Notes to the Financial Statements

June 30, 2022  
(Unaudited)

## 1. Operations

Faircourt Gold Income Corp. (the “Company”, or the “Fund”) was incorporated under the laws of the Province of Ontario by Articles of Incorporation dated September 6, 2007. Faircourt Asset Management Inc., pursuant to a Management Agreement dated October 30, 2007, is the Manager (the “Manager”) and is responsible for managing the affairs and providing portfolio management services to the Company. CIBC Mellon Global Securities Services Company acts as custodian. Odyssey Trust Company acts as the registrar, transfer agent and distribution agent for the redeemable Shares. The Company was listed on the Toronto Stock Exchange (“TSX”) and effectively commenced operations on November 16, 2007. Up until December 20, 2018 the Shares traded on the TSX under the symbol FGX. On December 20, 2018 the redeemable Class A shares of the Fund were voluntarily delisted from the TSX and commenced trading at the NEO Exchange (“NEO”) on December 21, 2018 under the symbol FGX.

The Company has been created to provide investors with exposure to the leading global companies primarily involved in gold exploration, mining or production, while also providing a tax efficient yield in the form of monthly distributions. In order to generate additional returns and reduce risk, the Company may write covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio.

The address of the Fund’s registered office is 120 Adelaide Street West, Suite 2107, Toronto, ON M5H 1T1.

These financial statements were authorized for issue by the Manager on August 26, 2022.

## 2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), including IAS 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board (IASB).

## 3. Summary of Significant Accounting Policies

Summary of Significant Accounting Policies The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements:

### a) Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss (FVTPL). Transaction costs on financial assets and liabilities at FVTPL are expensed as incurred. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund’s investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL) based on its business model.

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### b) Fair value measurement

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day’s bid ask spread. In

circumstances where the last traded price is not within the bid ask spread, the Manager determines the point within the bid ask spread that is most representative of fair value based on the specific facts and situation. The Fund’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using other methods considered appropriate, including its own models. Refer to Note 13 for further information about the Fund’s fair value measurement.

### c) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date and any realized gains or losses are recognized using the average cost of the investments, which exclude brokerage commissions and other trading expenses. Change in unrealized appreciation/depreciation is recognized using the average cost of the investments. Average cost does not include amortization of premiums or discounts on fixed income securities. Interest for distribution purposes shown in the Statements of Comprehensive Loss represents the coupon interest received by the Fund accounted for on accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Interest expenses are recognized on an accrual basis. Dividends and distributions are recognized on the ex dividend date.

### d) Transaction Costs

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed and presented in the Statements of Comprehensive Loss.

### e) Foreign Exchange

The Fund’s functional and presentation currency is the Canadian Dollar. The fair value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the London close (11am Eastern Time) rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time of such transactions.

Realized and unrealized foreign exchange gains (losses) are presented within foreign exchange income (loss) in the Statements of Comprehensive Loss. This balance represents the realized and unrealized gains (losses) of cash, cash equivalents and short term investments. The foreign exchange gains (losses) on investments are included in the realized gain (loss) on sale of investments.

### f) Taxation

The Company qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the “Tax Act”). The general income tax rules associated with a public corporation apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders, such that in substance the Corporation is not taxable on capital gains. Similarly, the Corporation is subject to Part IV tax on dividends received from Canadian corporations, however, they are refundable once paid to shareholders. As a result, the Corporation does not record income taxes related to capital gains and dividends from Canadian corporations.

# Notes to the Financial Statements

June 30, 2022  
(Unaudited)



Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes. All of the Corporation's expenses including management fees and operating expenses will be taken into account in determining its overall tax liability, if any.

As at December 31, 2021 the Fund had approximately \$10.4 million capital and approximately \$6.1 million non-capital loss carryforwards for income tax purposes. The capital losses may be carried forward indefinitely to be applied against future net capital gains. The non-capital losses are available to be carried forward for twenty years. The non-capital losses carried forward may reduce future years' taxable income and will expire up to 2038. No benefit has been recognized for these unused losses in these financial statements.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Loss. Since the Fund does not record income taxes, the tax benefit of capital and non capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

- g) **Fair Value of Financial Instruments other than Investments and Derivatives**  
The Fund's financial instruments, other than investments, derivatives, cash and cash equivalents, which are composed of dividends, interest and other receivable, amounts receivable for investments sold, amounts payable for securities purchased, accounts payable and accrued liabilities, distributions payable to shareholders and loan facility are valued using amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid. Carrying value of loans approximates fair value. Carrying values of other financial assets and liabilities at amortized cost approximate their fair values due to the short term to maturity. The Fund's Net Assets attributable to holders of redeemable Class A Shares is presented as the fair value of the Fund's assets less the fair value of the Fund's liabilities (excluding the net assets attributable to holders of redeemable shares), which approximates the annual redemption amount.
- h) **Impairment of financial assets**  
At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.
- i) **Net Assets attributable to holders of redeemable Class A Shares per share**  
Net Assets attributable to holders of redeemable Class A Shares per share is computed by dividing the Net Assets attributable to holders of redeemable Class A Shares by the total number of Company's Class A Shares outstanding at the time. Refer to Note 5 regarding the total number of outstanding Class A Shares.
- j) **Cash and Cash Equivalents**  
Cash and cash equivalents, if any, are comprised of cash on deposit and short term highly liquid debt instruments with terms to maturity less than 90 days, that are readily convertible to known amount of cash and is subject to insignificant risk of change in value.

## k) Options

Investments in option positions, which include but are not limited to covered call option contracts on securities held in the Portfolio and/or cash secured put option contracts on securities desired to be held in the Portfolio, are publicly traded and valued at their fair value based on quoted market prices at the close of trading on the valuation date or at mid price between bid and ask in absence of trading on the valuation date. In circumstances where the last traded price is not within the bid ask spread, the Manager determines the point within the bid ask spread that is most representative of fair value based on the specific facts and situation. The premium received from a written option is included in cash and a liability is set up for the short options position. Until expiry or exercise of the option the difference between the premium and the fair value is shown as unrealized appreciation (depreciation) of investments. Investments in long option positions are publicly traded and valued at their fair value based on quoted market prices at the close of trading on the valuation date or at mid price between bid and ask in absence of trading on the valuation date. In circumstances where the last traded price is not within the bid ask spread, the Manager determines the point within the bid ask spread that is most representative of fair value based on the specific facts and situation.

Premiums received from writing options are recorded as "Income from derivatives" in the Statements of Comprehensive Loss upon expiry or exercise of the option. Premiums paid for buying options which expire unexercised are applied against "Income from derivatives" in the Statements of Comprehensive Loss.

## 4. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future that may affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the period. Actual results could differ from these estimates. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

### *Classification and measurement of investments and derivatives under IFRS 9*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about the business model in which the portfolio of investments and derivatives is held. The Manager has determined that the Fund's business model is one in which its portfolio is managed and performance evaluated on a fair value basis under IFRS 9.

### *Fair value measurement of derivatives and securities not quoted in an active market*

Fair values of such instruments are determined using reputable pricing sources or indicative prices from market makers or, if they are not available, by using its own models. Short term investments are valued at bid quotations from recognized investment dealers

## 5. Share Capital

The Fund's Class A Shares are redeemable for cash under monthly and annual redemption features, and as such do not meet the criteria in IAS 32 for classification as equity.

The Company is authorized to issue an unlimited number of redeemable Class A Shares ("Shares") and Common Shares. The Company issued 100 Common Shares for nominal consideration of \$100 to the Manager.



# Notes to the Financial Statements

June 30, 2022  
(Unaudited)

Shares may be redeemed on the second last Business Day of April (an “Annual Redemption Date”), subject to certain conditions, but in order to effect such a redemption the Shares must be surrendered by the last Business Day of March. Shareholders whose Shares are redeemed on an Annual Redemption Date receive, subject to the Manager’s right to suspend redemptions in certain circumstances, a redemption price in an amount equal to 100% of Net Assets attributable to holders of redeemable Class A Shares per share less the amount which is the lesser of (a) \$0.25 per Share and (b) the pro rata share of the aggregate of all brokerage fees, commissions and other costs relating to disposition of Portfolio securities necessary to fund such redemptions. Payment of the redemption price is made on or before the applicable Redemption Payment Date. The Fund also has a monthly redemption feature. Holders who submit their Class A Shares for a monthly redemption receives a redemption price per Share equal to the lesser of (a) 94% of the Market Price of a Share (defined as being the weighted average trading price of the Share on the NEO Exchange for the 10 trading days immediately preceding the applicable monthly redemption date), and (b) 100% of the closing price of the Shares on the NEO Exchange on the applicable monthly redemption date (or if there is no trade on the applicable monthly redemption date, the average of the last bid and last asking price of the Share on the NEO Exchange on such monthly redemption date).

Issued and outstanding redeemable Class A Shares of the Company consisted of the following:

	Period ended June 30, 2022 Class A Shares	Period ended June 30, 2021 Class A Shares
Balance, beginning of period	2,964,804	3,277,204
Redemptions, Class A Shares	(190,700)	(312,400)
<b>Balance, end of period</b>	<b>2,774,104</b>	2,964,804
Weighted average number outstanding during the period	2,898,428	3,170,194

The Net Assets attributable to holders of redeemable Class A Shares per share on June 30, 2022 was \$3.10 (June 30, 2021 – \$4.31).

As at June 30, 2022 the Class A Shares ended trading on the NEO Exchange at \$3.36 per Share (June 30, 2021 the Class A Shares ended trading at \$4.06 per Share). The fair value of the liability represented by the outstanding redeemable Class A Shares as at June 30, 2022 was approximately \$9.32 million (June 30, 2021 – \$12.04 million).

During the period ended June 30, 2022, 190,700 Class A Shares (2021 – 312,400) were tendered for redemption to Faircourt Gold Income Corp. for cash proceeds of \$0.78 million (2021 – \$1.42 million) in accordance with the Company’s monthly and annual redemption privileges.

## 6. Distributions Payable to Shareholders

Distributions, as declared by the Manager, are made on a monthly basis to shareholders of record on the last business day of each month. The distributions are payable no later than the tenth business day of the following month.

The amount of distributions may fluctuate from month to month and there can be no assurance that the Company will make any distribution in any particular month or months. The Company may make additional distributions in any given year.

The Company declared six regular monthly distributions of \$0.0240 per Class A Share totaling \$0.144 per Class A Share during the period ended

June 30, 2022 (June 30, 2021 – the Company declared six regular monthly distributions of \$0.0240 per Class A Share totaling \$0.1440 per Class A Share).

## 7. Option Writing

In order to generate additional returns and to reduce risk, the Company writes covered call options on securities held in the Portfolio and cash secured put options on securities desired to be held in the Portfolio.

As at June 30, 2022, a total of approximately \$0.32 million (December 31, 2021 a total of approximately \$0.40 million) in cash investments has been pledged for cash secured puts.

As at June 30, 2022 securities at carrying value of approximately \$0.34 million (December 31, 2021 – securities at carrying value of approximately \$0.90 million) has been pledged for covered calls contracts.

The Fund does not have any amounts offset in its financial statements or subject to enforceable master netting or other similar agreements that were not offset.

## 8. Management and Service Fees

The Company retained Faircourt Asset Management Inc. to act as Manager under the Management Agreement dated October 30, 2007. On July 2, 2012 Faircourt Asset Management took on the role of Option Advisor as per the announcement made on April 2, 2012. From and after July 2, 2012, it is intended that the Manager executes and maintains the option program of the Company. The Company pays an annual management fee of 1.10% per annum of the Net Asset Value, calculated daily and payable monthly, plus an amount calculated daily and payable quarterly equal to the service fee (described below) payable by the Manager to registered dealers, plus applicable taxes.

The Manager pays to registered dealers a service fee calculated daily and payable quarterly in arrears at an annual rate equal to 0.40% of the Net Asset Value per Share of the Shares held by clients of the sales representatives of such registered dealers, plus applicable taxes.

As at June 30, 2022 included in accounts payable and accrued liabilities is \$8,996 of management fee and \$11,108 of service fee payable to the Manager (December 31, 2021 – \$10,614 of management fee and \$11,763 of service fee payable to the Manager).

## 9. Loan Facility

Pursuant to an agreement with a Canadian chartered bank (the “Bank”), the Company maintains a 365 day revolving term loan facility for a maximum amount of \$3.5 million or 20% of the Company’s assets, whichever is less (renewal date December 20, 2022). The loan facility is secured by a first ranking and exclusive charge on all of the Company’s assets and will be renewable annually at the option of the Company with the approval of the Bank. The Company has the option of borrowing at the prime rate of interest or at the bankers’ acceptance rate plus a fixed percentage. The Loan Facility permits the Company to borrow funds for various purposes, including, without limitation, making investments in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions, effecting market purchases or redemptions of Shares, paying fees and expenses of the Company or providing security for put options. As at December 31, 2021 and December 31, 2020 the Company is in compliance with all debt covenants.

# Notes to the Financial Statements

June 30, 2022  
(Unaudited)



As at June 30, 2022, \$2.2 million (December 31, 2021 – \$2.2 million) was drawn under the loan facility representing 25.54% of the net assets of the Fund (December 31, 2021 – 18.90%). During the reporting period the minimum and maximum leverage from the facility was \$2.2 million (2021 – the minimum and maximum leverage from the facility was \$2.5 million and \$2.9 million respectively).

Subsequent to period end \$300,000 of cash on deposit with the Bank and intended for loan repayment was applied against the loan facility, bringing the principal outstanding to \$1.9 million.

## 10. Brokerage Commissions

Brokerage commissions paid to dealers for portfolio transactions during the period ended June 30, 2022 totaled \$8,923 (June 30, 2021 – \$17,308). For the periods ended June 30, 2022 and 2021 there were no soft dollar amounts paid

## 11. Financial Instrument Risk

The Company may be exposed to a variety of financial risks. The Company's exposures to financial risks as at June 30, 2022 and December 31, 2021 (see below) are concentrated in its investment holdings, including derivative instruments. The portfolio allocation as at June 30, 2022 is included in the Schedule of Investments.

The summary of investment portfolio, based on percentage of net assets attributable to holders of redeemable Class A Shares as at December 31, 2021 was as follows:

Long Positions – Equities	97.56%
Cash and Cash Equivalents	22.91%
Short Positions – Cash Secured Put Contracts	(0.02%)
Short Positions – Covered Call Contracts	(0.26%)
Other net liabilities	(20.19%)
	<b>100.00%</b>

The Company's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential

As at June 30, 2022:

Currency	Non-monetary Exposure	Monetary Exposure	Total Exposure	Impact, Total
United States Dollar	\$ 3,171,396	\$ 394,097	\$ 3,565,493	\$ 178,275
Percentage of Net Assets attributable to holders of redeemable Class A Shares all amounts in CAD\$	36.82%	4.58%	41.40%	2.07%

As at December 31, 2021:

Currency	Non-monetary Exposure	Monetary Exposure	Total Exposure	Impact, Total
United States Dollar	\$ 1,559,392	\$ 1,706,338	\$ 3,265,730	\$ 163,286
Percentage of Net Assets attributable to holders of redeemable Class A Shares all amounts in CAD\$	13.40%	14.66%	28.06%	1.40%

## b) Interest Rate Risk

Interest rate risk is the risk that the fair value of the Company's interest bearing investments will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, T-Bills, and money market

effects of these financial risks on the Company's performance by employing and overseeing professional and experienced Portfolio Advisors and Option Advisors that regularly monitor the Company's positions, market events and diversify investment portfolios within the constraints of the investment guidelines, recognizing that the Company is limited to investments within a particular sector. Sensitivity analyses provided in the following sections are for illustrative purposes only and may have no bearing on the Company's financial results. Further, the percent changes for the market factors (interest rates, exchange rates, equity market moves) may not be representative of actual market moves in these factors.

Security valuations are affected by financial and economic conditions which can include political, social, and environmental factors. COVID-19 has caused economic uncertainty along with market volatility and may adversely impact the Fund's performance.

## a) Currency Risk

Currency risk is generally viewed as the risk that the value of investments denominated in currencies, other than the functional currency of the Company, will fluctuate due to changes in foreign exchange rates. The nature of gold equities makes this definition less relevant as i) gold is a global commodity priced in US\$ terms and ii) the currency in which the costs of the company are denominated in significantly affects its expenses. As such, the currency in which the security is denominated is often of less relevance than the price of gold, and the currency in which the company's expenses are denominated.

The tables below indicate the foreign currencies to which the Fund had significant exposure as at June 30, 2022 and December 31, 2021, in Canadian Dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable Class A Shares if the Canadian Dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

instruments) and changes in interest rates on floating rate debt. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short term market interest rates. Other assets and liabilities are short term in nature and/or non interest bearing.





# Notes to the Financial Statements

June 30, 2022  
(Unaudited)

The majority of the Company's investments are non-interest bearing, accordingly, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Using average loan balances outstanding, the effect of a 1% change in variable interest rates on the loan facility would not have resulted in a significant change in interest expense or the fair value of the related debt as at June 30, 2022 and December 31, 2021.

## c) Other Market Risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The single most important determinant for the value of the Fund's investments is the price of gold. Higher gold prices will, all else being equal, increase the value of the Fund's investments, while lower gold prices will reduce the value of the Fund's investments. During the period ended June 30, 2022, a 1% change in the price of gold resulted in a 1.77% (December 31, 2021 – 1.35%) change in the value of gold equities. Over the past 5 years, a 1% change in the price of gold had led to a 1.84% (December 31, 2021 – 1.78%) change in the price of gold equities. There can be no assurance that this relationship will hold in future periods.

Shares of gold companies are exposed to high levels of political and operational risk due to the complex nature of mining operations and operation of mines in politically unstable regions. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk.

In order to generate additional returns and to reduce risk, the Company writes covered call options on securities held in the Portfolio and cash secured put options on securities desired to be held in the Portfolio. All other things being equal, sustained volatility in the price of a security results in higher option premiums in respect of such security. Conversely, a sustained reduction in the volatility of gold equities would require the Option Advisor to write on a greater percentage of the Fund. The Manager believes gold stocks, which have historically maintained a high degree of volatility, are well suited to a covered call writing strategy.

Using the relationship between gold and gold equities, if the price of gold had increased or decreased by 10% as at June 30, 2022, the price of gold equities, excluding written options, would have increased or decreased by approximately 18% (at December 31, 2021 – 14%), with all other factors remaining constant, Net Assets attributable to holders of redeemable Class A Shares would have increased or decreased by approximately \$1.79 million (December 31, 2021 – \$1.60 million). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The redeemable Class A Shares may trade in the market at a premium or at a discount to Net Assets attributable to holders of redeemable Class A Shares per share and as such there can be no assurance that the redeemable Class A Shares will trade at Net Assets attributable to holders of redeemable Class A Shares per share.

The continued worldwide spread of coronavirus (COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios. As the impacts of the COVID-19 pandemic continue to materialize, the Manager

is monitoring the developments in equity markets generally, and in connection with the Fund's investment portfolios in particular. The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Fund's financial results.

## d) Credit Risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over the counter derivative instruments is based on the Company's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. As at June 30, 2022 and December 31, 2021, the Company did not have significant exposure to credit risk.

All transactions in listed securities, including short term investments, are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. The trade will fail if either party fails to meet its obligation.

## e) Liquidity Risk

The Company's exposure to liquidity risk is concentrated in the annual and monthly cash redemptions of Class A Shares. As at June 30, 2022 and December 31, 2021, substantially all of the Company's investment holdings are in publicly listed securities and are considered readily realizable, as they are actively traded on public exchanges. In addition, the Company is permitted to borrow in the short term to ensure settlement. The Company may however, from time to time, make investments in securities that have low trading volumes or resale restrictions. Accordingly, it may be difficult for the Company to make trades in these securities without adversely affecting the price of such securities and consequently the Net Assets attributable to holders of redeemable Class A Shares of the Company. As at June 30, 2022 and December 31, 2021, the Company did not have significant exposure to liquidity risk. All liabilities of the Company, other than redeemable shares, mature within 12 months or less.

## 12. Capital Management

The Company has been created to provide investors with exposure to the global companies primarily involved in gold exploration, mining or production, while also providing monthly distributions. Redeemable Class A Shares issued and outstanding are considered to represent the capital of the Fund. Shareholders are entitled to distributions, if any, and to payment of a proportionate share based on the Company's Net Assets attributable to holders of redeemable Class A Shares per share upon redemption. The Company has no restrictions or specific capital requirements on the subscriptions and redemptions of Shares other than described in Note 5. The relevant movements are shown in the Statements of Changes in Net Assets attributable to holders of redeemable Shares. In accordance with its investment objectives and risk management practices, as outlined above and throughout Note 11, the Company endeavours to invest its capital in accordance with its investment strategy while maintaining sufficient liquidity to meet redemptions.

## 13. Fair Value Measurements

The Company uses the following three-level hierarchy for disclosure of the inputs to its fair value measurements:

# Notes to the Financial Statements

June 30, 2022  
(Unaudited)



Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following tables illustrate the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2022 and December 31, 2021:

## As at June 30, 2022

Assets	Level 1	Level 2	Level 3	Total
Equities – long	\$ 9,953,146	\$ –	\$ –	\$ 9,953,146
Warrants	\$ –	\$ 10,408	\$ –	\$ 10,408
	\$ 9,953,146	\$ 10,408	\$ –	\$ 9,963,554
Liabilities	Level 1	Level 2	Level 3	Total
Options – short	\$ 14,829	\$ –	\$ –	\$ 14,829
	\$ 14,829	\$ –	\$ –	\$ 14,829

## As at December 31 2021

Assets	Level 1	Level 2	Level 3	Total
Equities – long	\$ 11,330,418	\$ –	\$ –	\$ 11,330,418
Warrants	\$ –	\$ 23,965	\$ –	\$ 23,965
	\$ 11,330,418	\$ 23,965	\$ –	\$ 11,354,383
Liabilities	Level 1	Level 2	Level 3	Total
Options – short	\$ 32,586	\$ –	\$ –	\$ 32,586
	\$ 32,586	\$ –	\$ –	\$ 32,586

Cash and cash equivalents are classified as Level 1 in the fair value hierarchy. During the period ended June 30, 2022, \$85 warrants expired.

All fair value measurements above are recurring.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

### a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities may not trade frequently and therefore observable prices may not

be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3;

### b) Derivative assets and liabilities

Derivative assets and liabilities consist of short option positions and warrants, which are classified as Level 1, unless observable prices are not available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2.



# Corporate Information

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Faircourt Asset Management Inc. ("Faircourt") was created to design, distribute and market innovative structured investment products to retail investors throughout Canada. Faircourt is credited with being the innovator of Canada's first funds of Income Trusts using a dual security structure, Faircourt currently provides management services to one NEO listed closed-end fund, Faircourt Split Trust and one NEO listed corporation, Faircourt Gold Income Corp. Faircourt also acts as Portfolio Advisor to the Ninepoint Alternative Health Fund.

For more information, please visit the Manager's website at [www.faircourtassetmgt.com](http://www.faircourtassetmgt.com).

## Directors & Officers

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Charles Taerk  
*President, CEO & Director*

Douglas Waterson, CPA, CA, CFA  
*Chief Financial Officer, Portfolio Manager & Director*

Legal Counsel  
Stikeman Elliott LLP  
McCarthy Tetrault LLP

Auditors  
PricewaterhouseCoopers LLP

## Trust Units/Shares

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Custodian  
CIBC Mellon Global Securities Services

Registrar, Transfer Agent & Distribution Agent  
Odyssey Trust Company

## Portfolio Management

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Douglas Waterson, CPA, CA, CFA  
*Chief Financial Officer & Portfolio Manager*

Christopher Panagopoulos, CPA, CA, CFA  
*Portfolio Manager & Director of Finance*

## Faircourt Asset Management Inc.

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## Closed End Funds (listed on the NEO)

### Faircourt Split Trust

Trust Units – **FCS.UN**

### Faircourt Gold Income Corp.

Class A Shares – **FGX**

