

MANAGEMENT DISCUSSION AND ANALYSIS



(Formerly Monarques Resources Inc.)

**PERIOD ENDED
DECEMBER 31, 2015
2ND QUARTER**

MONARQUES GOLD CORPORATION

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The following management's discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of the Company and the highlights of its financial situation. It explains the financial situation and the results for the three-month and six-month periods ended December 31, 2015 and the comparison of the Company's statement of financial position as at December 31, 2015 and June 30, 2015.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the audited consolidated financial statements of the Company for the fiscal year ended June 30, 2015 and the related notes thereto.

The unaudited consolidated condensed interim financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors on February 24, 2016. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

Forward looking statements

Some statements contained in this MD&A, specially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of the Company that are not historical data, are forward looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other terms and similar expressions. These statements are based on information available at the time they are made, on assumptions established by the management and on the management expectation, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section Risks and uncertainties). The real results for the Company could differ in an important way of those which state or that these forward looking statements show the possibility for. Consequently it is recommended not to trust unduly these statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. Except if the applicable legislation requires it, the Company does not intend to update these prospective statements to reflect, in particular, new information or future events, and it is by no means committed doing so.

Reporting entity and going concern

The Company incorporated on February 16, 2011 under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mining properties. Its shares trade on the TSX Venture Stock Exchange under the symbol MQR. Its activities are in Canada. The Company is an associate of Nemaska Lithium Inc. (Nemaska), a company that trades on the TSX Venture under the symbol NMX and owns 17.53% as at December 31, 2015 (18.90% as at June 30, 2015) of the share capital of the Company.

The Company has not yet determined if the properties contain ore reserves that are economically recoverable. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The recoverability of amounts shown for mining properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. As at the date of the financial statements, management determined that the carrying amount of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management estimates that the working capital available to the Company at the end of the period will provide the

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Company with adequate funding in order to cover its 2015-2016 fiscal year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2016 calendar year exploration budget. Since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and, despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

As at December 31, 2015, all of the Company's financial liabilities had contractual maturities of less than one year and the Company had enough funds available to meet its current financial liabilities. At the same date, the Company had \$692,769 in cash and cash equivalents not reserved for exploration (\$729,667 as at June 30, 2015). The total working capital (less funds reserved for exploration and current payment for asset retirement obligations) is \$480,387 to meet future financial liabilities from its commitments and administrative expenses. The Company had \$200,626 (\$648,981 as at June 30, 2015) of funds reserved for exploration as at December 31, 2015.

These consolidated condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and on the assumption of going concern. The application of IFRS under the assumption of going concern may be inappropriate because the above condition indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated condensed interim financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

Highlights for the six-month ended December 31, 2015 and up to the date of this report

The principal business objectives that the Company expects to accomplish in the near term are i) to complete the acquisition of the Beacon property (see the press release dated November 17, 2015 for more details on this subject); and ii) to update, during the course of the year 2016, the NI-43-101 compliant prefeasibility study prepared by InnovExplo, which was originally filed on October 17, 2014, with an effective date of October 7, 2014 concerning the Croinor Gold property.

On January 26, 2016, the Company intersected 10.49 metres at 4.46 g/t near surface less than 500 metres from the Croinor gold deposit. The program was designed to follow up on the new gold result (236.47 g/t over 1.0 m) obtained in Hole CR-15-463 during the Phase III of the 2015 drilling program (see press release dated 28 October 2016). In December 2015, three holes were drilled with the goal of better understanding the area and replicating the results of the previous phase. The holes were drilled in a fan arrangement around Hole CR-15-463, with Hole CR-15-469 drilled parallel to Hole CR-15-463 but 17 metres to the northeast, Hole CR-15-470 positioned to intercept the gold structure below Hole CR-15-463 and Hole CR-15-471 drilled to the west. Visible gold was seen in two of the three holes in a quartz-carbonate-tourmaline vein system that was similar in every respect to the system intercepted previously. Hole CR-15-469 returned a gold grade of 4.46 g/t over 10.49 m, including a sample of 33.28 g/t over 1.0 m. Hole CR-15-470 also returned a sample that contained visible gold but only assayed 0.14 g/t over 1.0 m; that result is currently being checked. Hole CR-15-471 intersected a less well-developed fracture system with a few quartz veins.

On December 18, 2015, the Company closed a brokered private placement for an aggregate gross proceeds of \$275,000. Pursuant to this placement, the Company issued a total of 500 "flow-through units" at a price of \$550 per unit. Each "flow-through unit" consists of 4,000 common shares in the capital of the Company issued as flow-through shares at a price of \$0.11 per flow-through share, 1,375 common shares in the capital of the Company at a price of \$0.08 per common share and 2,688 common share purchase warrants of the Company. Each warrant entitles its holder thereof to purchase one common share at a price of \$0.10 per common share, until December 18, 2017. In consideration for its services, the agent received a cash commission of \$24,805 and 130,881 agent's compensation warrants to purchase, until December 18, 2017, a total of 130,881 common shares at a price of \$0.10 per common

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share.

On November 24, 2015, the Company reported an increase of 19% in the measured and indicated resources at the Croinor Gold project, based on Phases I and II of its 2015 drilling program. (See full press release dated November 24, 2015 for more details). **The main highlights are:**

- The new mineral resource estimate (cut-off grade of 4 g/t) has increased the measured and indicated (M&I) resource by 37,300 ounces, or 18.8%
- The new estimate is based on the results from Phases I and II of the 2015 drilling program and from the geological reinterpretation of the zones in the lower part of the deposit
- At cut-off grades of 4 g/t and 5 g/t, M&I resource grades are 9.12 g/t and 10.75 g/t, respectively
- The current resource covers a 1,570-metre strike length on the Croinor property, to a depth of 545 metres

The measured and indicated resource (at a cut-off grade of 4 g/t Au) has increased from 680,100 tonnes at 9.08 g/t Au, or 198,700 ounces, as estimated in October 2014, to a total of 804,600 tonnes at 9.12 g/t Au, or 236,000 ounces, for an 18.8% increase in available ounces of gold in 2015. The new estimate is based on additional holes that included six holes drilled in 2011 (CR-11-414 to CR-11-419) (1,824 metres) that were not part of the previous estimate (2014) and 36 holes drilled in 2015 (12,546 metres).

Mineral resource estimate (including mineral reserves) (November 24, 2015)

Cut off grade (g/t)	Mineral resources estimation											
	Measured			Indicated			Total measured + indicated			Inferred		
	Tons	Grade	Ounces	Tons	Grade	Ounces	Tons	Grade	Ounces	Tons	Grade	Ounces
>5 g/t	59 000	9,86	18 700	538 000	10,85	187 600	597 000	10,75	206 300	101 400	9,22	30 100
>4 g/t	80 100	8,44	21 700	724 500	9,20	214 300	804 600	9,12	236 000	160 800	7,42	38 400
>3 g/t	111 900	7,02	25 300	997 500	7,64	244 900	1 109 400	7,57	270 200	263 800	5,86	49 700

The prefeasibility study dated 7 October 2014, which was based on the mineral resource estimate dated August 8, 2014, has not been updated on the basis of the new mineral resource estimate. It nevertheless remains valid and will be part of the forthcoming NI 43-101 Technical Report. The new resource estimate has no adverse effect on the mineral resource inventory used for the 2014 prefeasibility study. The prefeasibility study will be updated in 2016 to take into account the new mineral resource estimate.

On November 17, 2015, the Company signed a letter of intent to acquire the Beacon property from 9965-9911 Québec Inc. The property consists of a metallurgical processing plant, tailings management ponds, underground installations, a 500-metre deep shaft, a mechanical shop and all mineral rights attached to the transaction, namely one mining concession, one mining lease and 11 mineral claims totalling 180 hectares (the "Beacon property"). The Company has until April 30, 2016, or such other date as the parties may agree, to proceed with the acquisition of the Beacon property in consideration of the payment of \$4,400,000, as follows: i) \$500,000 on closing of the transaction, payable, at Company discretion, in cash or in common shares at a price per share equal to the greater of a) the average closing price of the common shares of the Company listed on the TSX Venture Exchange (the "Exchange") over the five days preceding the closing; or b) the lowest price at which the common shares of the Company were issued in any private placement entered into between the date the letter of intent was signed and the closing, the whole subject to the minimum price allowed by the policies of the Exchange; and ii) \$650,000 payable in cash at the 30th, 36th, 42nd, 48th, 54th and 60th month following closing of the transaction. The agreement is subject to: i) the completion of a due diligence review of Beacon property, including but not limited to the mining rights, processing plant, surface and

underground infrastructure, and engineering reports, to the Company satisfaction; ii) the completion of a due diligence review of the Company by the Vendor; iii) regulatory and Ministerial approvals; iv) payment by the Vendor of 50% of the amount earmarked for the Beacon property rehabilitation plan to the *Ministère de l'Énergie et des Ressources naturelles*; and v) negotiation and signature of the formal deeds of sale and hypothec.

On November 6, 2015, the Company closed a non-brokered private placement of an aggregate of 3,875,000 units at a price of \$0.08 per unit for a gross proceed of \$310,000. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.10 for a period of 24 months following the closing of the private placement.

The Phase III of the drilling program took place from mid-September 2015 up to mid-October with 13 holes drilled for a total of 3,485 metres of drilling. The Phase III tested some promising historical showings on the property located outside the mining lease that were identified by two geophysical surveys conducted earlier this year. Other holes have been drilled on targets identified following the compilation of the area around the "Bug Lake – Trench 2" showings. The main results for the 13 holes drilled during the Phase III are: **I)** Hole CR-15-463 which intersected a 6-metre zone (core length) near surface (at a vertical depth of approximately 13 metres) containing 40% slightly mineralized quartz-carbonate-tourmaline veins in an altered felsic intrusive (QFP). Several grains of visible gold were seen within the zone, which assayed an average of 236.47 g/t Au (227.9 g / t and 245.05 g/t) over a 1-metre (17 to 18 m) core length (CL). The sample was assayed twice using the gravity method. Farther down the same hole (at a vertical depth of approximately 35 metres), another intersection returned 4.56 g/t Au over a 1-metre CL (45 to 46 m) in a similar quartz zone. The true width cannot be determined from the available information. These intersections lie between the Bug Lake and Trench #2 showings, in an area where no other information is available within a radius of 60 metres or at depth. **II)** Hole CR-15-468 targeted at a depth of 30 metres below the continuity of a quartz zone intersected in the historic hole LB-07-05 (6.14 g/t Au over 6 metres CL) which was found in the 2007 drill campaign at a depth of approximately 88 metres below surface. The targeted zone was intersected as expected and returned 1.80 g/t Au over 4.23 metres CL. This zone is open at depth. **III)** Holes CR-15-456 to CR-15-462, CR-15-464 and CR-15-467 provided valuable information for the understanding of how the two showings (Bug Lake - Trench #2) are related, but did not yield significant results. **IV)** Holes CR-15-465 and CR-15-466 were planned to verify 2 geophysics targets. They intersected some weakly mineralized zones without significant results.

The Phase II of the 2015 drilling program started on May 11, 2015 and was completed on July 7, 2015 with 24 holes drilled for a total of 8,981 metres of drilling. The goal of this Phase II was to test the continuity of the deposit at depth and on the East and West extensions of the deposit based on previous results, test two targets identified by satellite interpretation 1.2 km west of the deposit, continue drilling in the area of the Phase I successes and finally, drill one hole at depth (480 vertical metres) to confirm the continuity of a vein intersected in 2011. Two (2) holes were drilled on targets identified with Japosat satellite interpretation. The full results for the 36 holes drilled during the Phase I (completed on March 17 with 12 holes for a total of 3,984 metres of drilling) and this Phase II can be found on the press release of the Company dated August 18, 2015.

On October 30, 2014, the Company filed on SEDAR an amended NI-43-101 compliant prefeasibility study prepared by InnovExplo, which was originally filed on October 17, 2014, with an effective date of October 7, 2014 concerning the Croinor Gold property. The following are the key points of the prefeasibility study.

Prefeasibility Study Highlights, Mineral Resources and Mineral Reserves

The Prefeasibility Study considers an underground mining operation with custom milling of the ore at a fully-permitted milling facility near Val-d'Or. The expected mine life is five years. The following table shows the highlights from the Prefeasibility Study report; all currency is in Canadian dollars unless otherwise indicated.

• PREFEASIBILITY STUDY HIGHLIGHTS ⁽¹⁾

Parameters	Prefeasibility Study Results
Proven and probable mineral reserves	541,534 t at 6.77g/t ⁽²⁾
Mine life (including 18 months of preproduction)	5 years
Daily mine production	425 tpd rising to 675 tpd in Year 4
Recovery	97.5%
Annual gold production	21,259 to 40,540 oz
Gold recovered over the life of the mine.	114,916 oz
Average operating cost/tonne	\$180/tonne
Average operating cost/oz	US \$757/oz
Capital cost ⁽³⁾	\$42.3 million
Total all-in cost per ounce	US \$1,038/oz
Total gross revenue	\$175.1 million
Total operating cost	\$91.2 million
Total cost of the project	\$133.4 million
Operating cash flow (before taxes and royalties)	\$34.7 million
Estimated income taxes and mining duties	\$12.5 million
Net cash flow (after income taxes and royalties)	\$22.1 million
Pre-tax NPV (5% discount rate)	\$25.0 million
Pre-tax IRR	34 %
After-tax NPV (5% discount rate)	\$14.9 million
After-tax IRR	24%
Pay-back period	3.8 years
Preproduction period (including production of 35,980 t)	18 months

(1)

Oct-14	Year 2	Year 3	Year 4	Year 5
US \$1,200	US \$1,260	US \$1,323	US \$1,389	US \$1,459
<i>Gold price indexed at 5% per year. Exchange rate (\$CA/US \$) = 1.12</i>				

(2) Volume and grade include mining dilution and recovery.

(3) Includes approximately \$14.96 million for working capital and sustaining capital

- MINERAL RESOURCES

The mineral resource estimate was realised by Karine Brousseau, Eng., under the supervision of Carl Pelletier, B.Sc., P.Geo. who are both consultants with Val-d'Or-based InnovExplo Inc. One of goals of InnovExplo's work was to prepare a 43-101 mineral resource estimate for the deposit.

At a 4 g/t Au cut-off grade, the deposit contains a measured resource of 80,000 tonnes grading 8.41 g/t Au for 22,000 ounces, an indicated resource of 600,000 tonnes at 9.18 g/t Au for 177,000 ounces, and an inferred resource of 160,000 tonnes at 8.56 g/t for 44,000 ounces.

The mineral resource estimate was prepared using a 3-D block model and inverse distance interpolation (ID6) for a 1,570-metre strike length corridor of the Croinor property, to a vertical depth of 545 metres below surface, on 54 mineralized zones.

InnovExplo compiled the drill data for the Croinor property. The assay results for holes drilled from surface in 2010 and 2011, up to Hole CR-11-413, were included in the mineral resource estimate. The current estimate includes 1,219 underground and surface diamond drill holes and covers an east-west distance of 1,530 m on the Croinor deposit.

The database contains a total of 27,655 assays from the 122,339 metres of core drilled in 1,219 holes, as well as 4,309 assays from 1,927 channel samples compiled by InnovExplo in 2005 (Pelletier, C. and Boudrias, G., 2005) that comprises samples from development headings driven between 1983 and 1986.

The following table shows the mineral resource estimate at cut-off grades ranging from 3 g/t Au to 5 g/t Au.

Mineral resource estimate (including mineral reserves) (October 7, 2014)

Cut-off (g/t)	Mineral Resources Estimate										
	Measured			Indicated			Measured + Indicated			Inferred	
	Tonnes	Au g/t	Oz Au	Tonnes	Au g/t	Oz Au	Tonnes	Au g/t	Oz Au	Tonnes	Oz Au
> 5 g/t	59 400	9.81	18 700	447 300	10.78	155 000	506 700	10.66	173 700	102 400	35 900
> 4 g/t	80 500	8.41	21 800	599 600	9.18	176 900	680 100	9.08	198 700	160 100	44 100
> 3 g/t	112 400	7.00	25 300	848 300	7.51	204 700	960 700	7.45	230 000	227 800	51 500

- The Independent Qualified Persons for the Mineral Resource Estimate, as defined by Regulation 43-101, are Karine Brousseau, P.Eng., and Carl Pelletier, B.Sc., P.Geo. (InnovExplo Inc.); the effective date of the estimate is 8 August 2014. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability.
- The Mineral Resource is presented inclusive of Mineral Reserves; in other words, the Mineral Reserves have not been subtracted from the Mineral Resource presented above.
- The results are presented undiluted and in situ; the estimate includes 54 gold-bearing zones.
- The Mineral Resource was compiled at cut-off grades of 3, 4 and 5 g/t Au.
- Cut-off grade must be re-evaluated in light of prevailing market conditions (gold price, exchange rate and mining cost).
- A density of 2.8 g/cm³ was used for the mineralized zones and the waste rock.
- A minimum true thickness of 1.8 m was applied, using the grade of the adjacent material when assayed, or a value of zero when not assayed.
- High grade capping was applied on raw assay data, and was established at 70 g/t Au for the diamond drill core and 55 g/t Au for the underground channel samples.
- Compositing was done on drill hole sections and underground channel sections falling within the mineralized zones (composite = 1 metre).

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- Resources were evaluated using GEMCOM GEMS 6.3 software from drill holes and underground channel samples using an ID6 interpolation method in a block model.
- The Measured, Indicated and Inferred categories are defined using the parameters for the various passes.
- Ounce (troy) = Metric Tonnes x Grade / 31.10348. Calculations used metric units (metres, tonnes and g/t).
- The number of metric tonnes was rounded to the nearest hundred. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in Form 43-101F1.

- RESERVE ESTIMATION**

Mineral reserves were classified in accordance with the CIM Definition Standards for Mineral Resources and Mineral Reserves. Mineral reserves for the project incorporate appropriate allowances for mining dilution and mining recovery for the selected mining method.

MSO (Mineable Shape Optimizer), a Datamine software application, was used to determine the resource to be converted to reserves. MSO software generates individual stope designs from the block model on the basis of specified stope parameters.

Longhole retreat and room-and-pillar appear to be the two mining methods best suited to the Croinor deposit. In order to select the most appropriate method, two MSO runs were done on the block model using the parameters shown below the two methods. Small blocks (5m x 2.5m x 2.5m) were generated to obtain suitable results adapted to the narrow vein nature of the deposit:

Longhole method:

- Cut-off grade: 3.7 g/t
- Minimum mining width: 1.8 m (stope height)
- Mining dilution: 0.4 m on the hangingwall and 0.2 m on the footwall
- Minimum stope footwall angle: 45 degrees
- Sublevel spacing: 13 m vertical
- Block length: 5 m (stope width)

Room and pillar method:

- Cut-off grade: 5.4 g/t
- Minimum mining height: 1.8 m (stope height)
- Maximum mining height: 3 m (stope height)
- Maximum stope angle: 45 degrees
- Stope size: 5m x 5m

The estimated proven and probable reserves are shown in the table below; they total 117,870 ounces after applying the mining recovery and dilution factors for the selected method.

Diluted Mineral Reserve Estimate

Category	Tonnes	Grade g/t	Ounces
Proven	68,625	6.25	13,789
Probable	472,079	6.85	104,081
Total Reserves	541 534	6.77	117,870

- **ORE RECOVERY AND DILUTION**

The recovery and dilution factors applied in the mine plan and reserve calculations were based on a rock mechanics study and factors commonly used for the selected method.

In the longhole method, small blocks generated by MSO were grouped to form larger stopes, and pillars were established based on the rock mechanics study. A 95% recovery factor was then applied to the remaining tonnage. A 0.6-metre thickness of dilution was initially applied in the MSO parameters, resulting in 24% overall stope dilution once the data was compiled. To remain conservative, a 6% dilution factor was added, for an overall dilution factor of 30% for the longhole stopes, resulting in an average mining width of 4.0 m, including 1.2 m of dilution. The dilution grade was set at 0.0 g/t Au.

The room-and-pillar stopes were evaluated on the basis of an 85% recovery factor. For smaller stopes considered stable in the geomechanical study, a 100% recovery factor was applied. A 5% dilution factor was used for the room-and-pillar stopes.

- **CUT-OFF GRADE**

For the present study, the same stopes created in the previous study were used (Poirier et al., 2012), but a new cut-off grade was calculated and some stopes were discarded because they were no longer profitable. Each stope that was close to the cut-off grade was evaluated individually to determine whether it would be included in the study or discarded. For the calculation of this cut-off grade, a metal price of \$1,300 at an exchange rate of 1.10 was used. The remaining parameters used in the cut-off grade estimation are presented in the following table.

Cut-off Grade Parameters

	Long-hole	Room and pillar
Operating Cost	\$182.75/t	\$232.33/t
Mint cost	\$5.00 /oz	\$ 5.00/oz
Mill recovery	97.5%	97.5%
Mining dilution	Included in MSO parameters	5.0%
Cut-off grade	4.1 g/t	5.5 g/t

- **MINING**

The proposed mine plan for the Croinor project involves the underground mining of narrow subvertical veins. A large portion of the identified resource dips at less than 45 degrees, and is not well-suited to longhole mining, as the broken ore does not flow easily. It is no better suited to room-and-pillar mining, as the dip makes it difficult for workers to navigate the stopes with equipment and materials.

“The dip of the Croinor Gold mineralization has led the Company to work with Minrail and InnovExplo to test the use of Minrail’s S.A.M.S.™ technology,” noted Jean-Marc Lacoste. “Chapter 24, “Other Data and Relevant Information”, is devoted to this, and discusses the assumption of using this technology, the potential for improving various operating aspects, the health and safety aspect and the potential savings that could substantially improve the economics of the Croinor Gold project.”

The mine plan for the Croinor project is based on a combination of conventional and mechanized mining methods. The approach in the study was to force the application of the longhole method by ensuring a minimal footwall angle of 45 degrees through the addition of dilution. When this was not suitable, room-and-pillar mining was used. This stope

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analysis was possible through the use of MSO software, which optimizes stope design for specified mining parameters.

The ore will be hauled to surface using a combination of 3.5-yr and 6-yr scoop trams and a 30-tonne truck. Waste rock will either be brought to surface or used to fill the mined-out stopes when possible.

The deposit will be accessed via a ramp. The existing ramp will be repaired down to Level 125 and a new section will be excavated to access all the reserves. The production drifts will be accessed via crosscuts connecting to the ramp.

- EXISTING MINE INFRASTRUCTURE**

The Croinor deposit is serviced by a ramp measuring 300 metres long by 4 metres high by 4.5 metres wide (4 metres x 4.5 metres) that extends to Level 125 (38 metres), and by a 195-metre deep three-compartment shaft. Mine development has been done on four levels: 496 metres on Level 125, 560 metres on Level 250, 233 metres on Level 375 and 730 metres on Level 500. Approximately 320 metres of raise development was also done. The Croinor mine is currently flooded to the portal entrance.

- PRODUCTION SCHEDULE**

InnovExplo developed a preliminary production and development schedule, taking into account the existing underground workings. Production will take place on an operating schedule of two 10-hour shifts, six days a week, for a total of 300 days per year. The underground mine design provides for a five-year mine plan that produces 541,534 tonnes of ore grading 6.77 g/tonne. At a 97.5% mill recovery, a total of 114,916 ounces of gold would be produced during this period.

The mining method will be 75% longhole and 25% room-and-pillar. The mine plan includes all the development required to access and mine the mineralized zones. The table below shows the production schedule over the life of the mine.

Prefeasibility Mine Life Production Schedule

	Year 1	Year 2		Year 3	Year 4	Year 5	Total
	Pre-Prod	Pre-Prod	Prod	Prod	Prod	Prod	
Longhole (t)		19,110	53,455	74,782	149,621	109,732	406,700
Grade (g/t)		6.05	7.70	5.14	6.26	5.53	6.04
Room & Pillar (t)			7,691	31,732	30,340	15,594	85,357
Grade (g/t)			8.41	14.34	9.40	7.78	10.85
Development (t)	4,914	7,623	6,552	18,040	12,348		49,477
Grade (g/t)	5.63	6.40	5.73	5.50	5.81		5.76
Total volume (t)	4,914	26,733	67,698	124,554	192,309	125,326	541,534
Grade (g/t)	5.63	6.15	7.59	7.53	6.72	5.81	6.77

- MINERAL PROCESSING AND METALLURGY**

Ore from Croinor will be processed at a Val-d'Or area mill with excess capacity for the duration of the Croinor Gold operation. Contact has been made with potential custom milling partners and tentative commitments have been arranged for processing the ore. Ore previously mined from the Croinor open pit operation was processed at a local mill, and the 97.5% gold recovery used in the study was based on actual results achieved during these runs.

- **INFRASTRUCTURE**

A 25 KV transmission line will be extended from the nearby Chimo mine site to the Croinor Gold property to supply electrical power for the site. The existing roads to and on the site will be upgraded to support vehicle travel to and from the site, including the offsite transportation of ore for processing.

The mine will be dewatered and the existing 300-metre ramp and 2 kilometres of mine development will be upgraded and extended to meet the mine's requirements. The existing 200-metre deep shaft will be reconditioned and used as a ventilation raise and emergency escape way. Ore and waste will be hauled to surface via ramp. An existing building will be set up for use as a warehouse, and additional buildings will be erected to serve as a dry, offices, garages and a core shack.

- **ENVIRONMENTAL STUDIES AND PERMITTING**

The Company has a Certificate of Authorization to operate the mine from the MDDEP, issued in September 2010. The other studies and permits required to operate a mine, relating to the environment, rehabilitation and the crown pillar, are also complete or in hand. Other miscellaneous accessory permits will be obtained once the project is underway, following financing.

- **OPERATING COSTS**

Operating costs are estimated at \$848 per ounce over the life of mine. The expected cost breakdown is shown in the following table:

Summary of Total Life-of-Mine Operating Costs

Description	Total costs	Unit cost	
Delineation drilling	1,850,313	\$3.66/t	\$17.20/oz
Drift development	11,891,108	\$23.52/t milled	\$110.51/oz
Mining	16,894,672	\$33.42/t milled	\$157.01/oz
Monarques' team (salaries)	10,821,595	\$21.41/t milled	\$100.57/oz
Contractors (indirect costs)	18,931,540	\$37.45/t milled	\$175.94/oz
Surface services	266,595	\$0.53/t	\$2.48/oz
Energy	4,456,328	\$8.81/t	\$41.42/oz
Milling and transportation	25,208,667	\$49.86/t milled	\$234.28/oz
Environment	903,731	\$1.79/t	\$8.40/oz
Total	91,224,549	\$180.45/t milled	\$847.81/oz

- **CAPITAL COSTS**

Pre-production costs are estimated at \$27.36 million, including \$7.08 million in capitalized operating costs, net of revenue from production during the pre-production period. Sustaining capital is estimated at \$14.96 million, excluding \$0.7 million for final closure costs.

Breakdown of Capital Expenditures

Description	Preproduction (\$)	Sustaining (\$)	Total costs (\$)
Capitalized operating costs	17,223,056		17,223,056
Capitalized revenues	-10,143,025		-10,143,025
Royalty	500,000		500,000
Dewatering and reconditioning	1,192,469		1,192,469
Surface infrastructure	3,488,670	871,604	4,360,274
Electrical distribution	5,135,790	660,246	5,796,036
Mine infrastructure	810,787	157,514	968,301
Mobile equipment	3,618,041	5,032,494	8,650,535
Development	4,819,567	8,065,391	12,884,958
Environment	717,813	169,304	887,117
Total	27,363,167	14,956,553	42,319,720

- ECONOMIC ANALYSIS**

An after-tax model was developed for the Croinor project. All costs are in 2014 Canadian dollars, with no allowance for inflation or escalation. The Croinor project is subject to the following taxes:

- Quebec mining duties
- Federal and provincial income tax

The economic analysis for the project was performed using the Internal Rate of Return (IRR) and Net Present Value (NPV) methods. The IRR on an investment is defined as the rate of interest earned on the unrecovered balance of an investment. The NPV method uses a specific discount rate to convert all cash flows for investments and revenues occurring throughout the planning horizon of a project to an equivalent single sum at the present time. The discount rate used in the analysis was 5%. According to the NPV method, a positive NPV represents a profitable investment where the initial investment is recovered, along with any financing interest.

- QUALIFIED PERSONS**

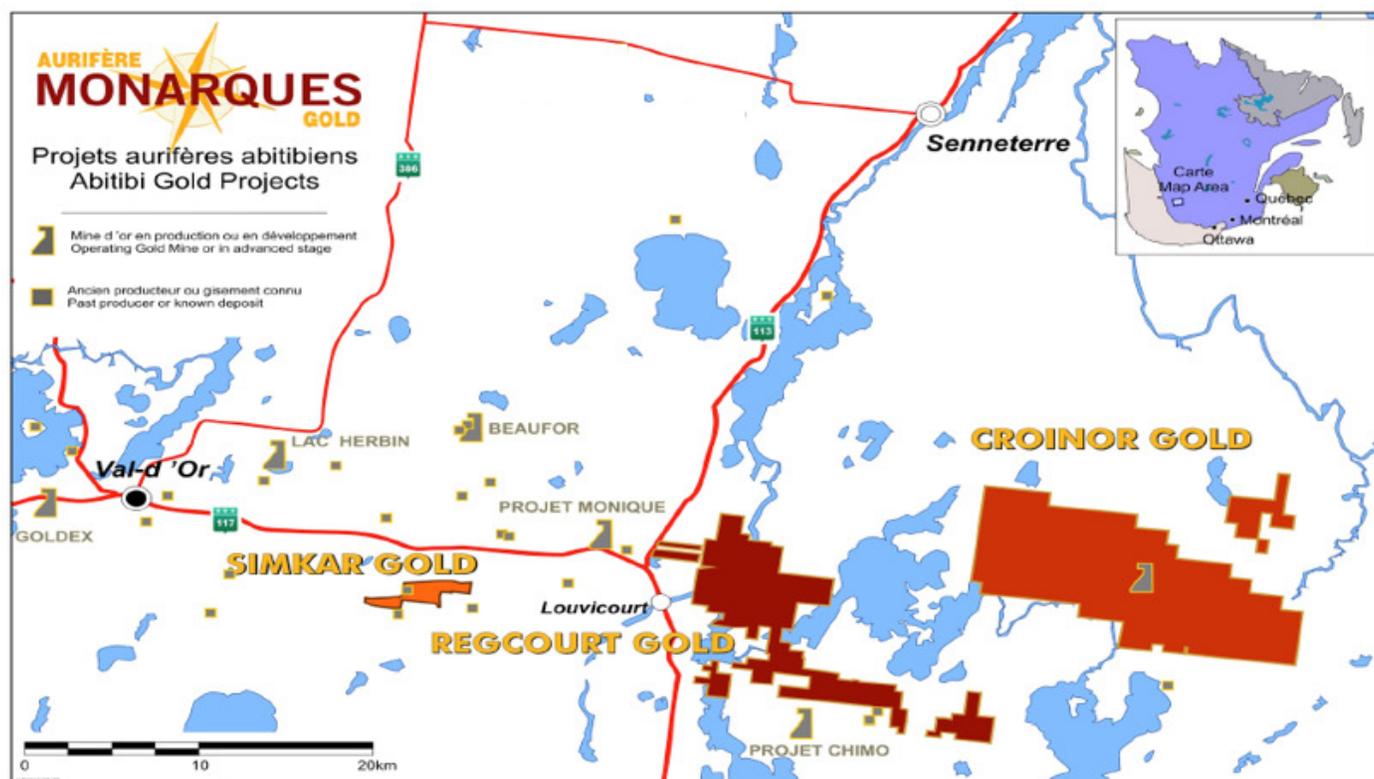
The resources estimate was prepared under the supervision of Carl Pelletier, P.Geo, a consulting geologist with InnovExplo Inc. Mr. Pelletier is a qualified and independent person as defined in Regulation 43-101. He has reviewed and approved the technical contents of this press release pertaining to the resource estimate in the technical report he prepared and authored. The Prefeasibility Study was prepared under the supervision of Sylvie Poirier, P.Eng., a senior engineer with InnovExplo Inc. Ms. Poirier is a qualified and independent person as defined in Regulation 43-101. She has reviewed and approved the technical contents of this press release pertaining to the Prefeasibility Study she prepared and authored.

PROPERTIES

In May 2013, the Company started to acquire gold properties in the Val-d'Or area. As at the date of this report and as shown in the following map, the Company owns, directly or indirectly, in the Val-d'Or area, 4 properties, totalling 455 claims, 2 mining concessions and 1 mining leases:

Properties	Claims	Area km2	MRN Credits (\$)	NSR (%)	Properties before consolidation
Croinor gold 1 mining lease	288	124	7,413,058 \$	1,5% *	Croinor, Croinor-Pershing, Lac Tavernier, Bel-Rive
Simkar gold 2 mining concessions	15	5	586,447 \$	1,5%	Simkar, Tex-Sol
Regcourt gold	160	48	1,003,109 \$	1,5%-2,5%**	Regcourt, Plator I, Plator II, Plator III, Plator IV, Plator V
Total	424	170	9,002,614 \$		

* Royalty applicable on the mining lease and 45 claims only ** Rolyalty of 1.5 % on 90 claims (Regcourt) and a royalty of 2,5 % on 63 claims (Plator I to V)



Management discussion and analysis

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Property	Details	Objective	Results
Croinor Gold	<p>The Croinor project and its surroundings covers a total area of about 126 km² and comprises 293 mineral claims and one mining lease, all wholly-owned by the Company.</p> <p>The Croinor Gold property is the result of a merger of the Croinor, Croinor-Pershing, Lac Tavernier and Bel-Rive properties. The transaction was made and publicly announced by press release on June 26, 2014.</p> <p>Diamond drilling (36 holes) for a total of 12,965 metres were drilled during the phase 1 and phase 2 of the 2015 drilling program, which started in May 2015 and was completed in July 2015.</p> <p>Diamond drilling phase III program for a total of 3,485 metres, which started mid-September 2015 and ended mid-October 2015.</p>	<p>Acquire a property with historical resources with production potential in a near future.</p> <p>Demonstrate the extension and continuity of the deposit along strike and at depth. Visible gold was present at a depth of 467 metres in the deposit.</p> <p>Test some of the targets identified during the phase 1 and phase 2 drilling programs conducted earlier this year.</p>	<p>Croinor becomes the flagship project of the Company.</p> <p>On section 0-East, a gold zone has been traced over a distance of more than 96 metres. The best results in 7 of the holes are; 16.01 g/t over 3.0 m; 15.12 g/t over 4.0 m; 9.31 g/t over 3.0 m; 7.09 g/t over 3.0 m; 6.73 g/t over 4.0 m; 5.83 g/t over 3.4 m and 4.64 g/t over 4.0 m. Also, historical hole CN-89-135 had results of 23.98 g/t over 2.76 m. See the August 18, 2015 press release for more details.</p> <p>The best results are: 236.47 g/t Au over a 1-metre; 4.56 g/t Au over a 1-metre; 1.80 g/t Au over 4.23 metres. See the October 28, 2015 press release for more details.</p>

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Property	Details	Objective	Results
<i>Simkar Gold</i>	<p>In September 2013, the Company acquired an undivided 50% interest under the terms of a transactions with Eloro Resources Ltd (Eloro). In June 2014, the Company made an arrangement with Eloro to acquire the remaining interest in the property.</p> <p>The Company now holds 100 % of Simkar Gold property. The property is located 20 kilometres east of Val-d'Or, Quebec, in the heart of the Abitibi Greenstone Belt. It covers an area of about 5 km² and comprises two mining concessions and 21 mineral claims. A royalty of 1.5 % is applicable.</p> <p>The Simkar Gold property is the result of a merger of the Simkar and Tex-sol properties. The transaction was made and publicly announced by press release on June 26, 2014.</p>	<p>Identify new zones and potential on lateral extension and at depth.</p> <p>Additional geophysics is required to define future drilling campaign.</p>	2013 drill campaign confirms presence of silver and potential to increase the actual resources.
<i>Regcourt Gold</i>	<p>The Regcourt Gold property consists of 215 claims that cover an area of about 58 km² near the centre of the western border of Vauquelin Township. The property is located at the eastern end of the Val-d'Or gold mining camp, some 30 km east of Val-d'Or. 100 % owned by the Company, there's a royalty of 1.5 % applicable on 90 claims and 2.5% applicable on 168 claims.</p> <p>The Regcourt Gold property is the result of a merger of the Regcourt, Plator I, Plator II, Plator III, Plator IV & Plator V. The transaction was made and publicly announced by press release on June 26, 2014.</p>	Expand the portfolio of advanced exploration assets	Addition of the property to the portfolio of gold exploration assets.

The foreseen main works on the properties are as follows:

MAIN WORKS PLANNED	
Property	Work
<i>Croinor Gold</i>	Prefeasibility study update.
<i>Simkar Gold</i>	Geophysics, geological surveys, prospecting and trenching.
<i>Regcourt Gold</i>	Data compilation and reporting.

Selected Financial Information

The following table summarizes the Company's selected key financial data taken from the consolidated condensed interim statement of loss and comprehensive loss for the periods ended December 31, 2015 and 2014 as well as the consolidated statement of financial position as at December 31, 2015, June 30, 2015 and June 30, 2014.

Statements of loss and comprehensive loss selected financial information				
	Three-month periods ended December 31		Six-month periods ended December 31	
Earnings and comprehensive loss	2015 (\$)	2014 (\$)	2015 (\$)	2014 (\$)
Interest income	16	3,595	3,676	6,647
Loss before income taxes	129,917	197,079	183,352	366,529
Net loss	175,282	198,038	287,673	385,059
Comprehensive loss	175,282	212,438	299,173	415,459
Loss per share, basic and diluted	0.002	0.003	0.004	0.006
Consolidated Statements of Financial Position selected financial information				
	As at			
	December 31, 2015 (\$)	June 30, 2015 (\$)	June 30, 2014 (\$)	
Cash and cash equivalents ⁽¹⁾	893,395	1,378,648	1,245,702	
Working capital ⁽²⁾	480,387	480,921	999,046	
Total assets	7,291,509	7,193,798	5,232,586	
Total liabilities	1,051,320	1,133,579	377,363	
Shareholder's Equity	6,240,189	6,060,219	4,855,223	

⁽¹⁾ Cash and cash equivalents includes \$200,626 as at December 31, 2015 (\$648,981 as at June 30, 2015 and \$114,095 as at June 30, 2014) of cash reserved for exploration expenses.

⁽²⁾ This is a non GAAP financial measure which does not have any standardized meaning prescribed by the Company's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. This financial measure, which represents the actual working capital available to the Company for general administrative purposes and other working capital, is defined as: the current assets excluding the cash reserved for exploration, less the current liabilities excluding the liability related to flow-through shares and less current portion of the asset retirement obligations of \$104,039 payable within 12 months.

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Consolidated Statements of Loss and Comprehensive Loss

Three and six-month periods ended December 31, 2015 and 2014

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	December 31,		December 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Expenses:				
Compensation	77,255	125,918	157,477	249,592
Share-based payments	6,205	697	7,337	1,598
Rent, office expense and other expenses	6,437	9,258	15,847	18,626
Registration, listing fees and shareholders' information	17,384	40,606	18,621	50,069
Promotion and advertising	15,539	4,889	30,778	6,044
Representation, missions and trade shows	9,036	6,000	15,030	14,241
Consultant fees	30,886	6,391	34,412	25,896
Professional fees	32,919	19,582	49,979	51,327
	195,661	213,341	329,481	417,393
Net finance expense (income):				
Finance income	(16)	(3,595)	(3,676)	(6,647)
Finance expense	965	923	1,844	1,896
	949	(2,672)	(1,832)	(4,751)
Operating loss	196,610	210,669	327,649	412,642
Other items:				
Other income related to flow-through shares	(57,880)	(1,125)	(126,969)	(29,648)
Other revenue	(8,813)	(12,465)	(8,813)	(12,465)
Change in fair value of marketable securities	-	-	(8,515)	(4,000)
	(66,693)	(13,950)	(144,297)	(46,113)
Net loss before income taxes	129,917	197,079	183,352	366,529
Deferred income taxes expense	45,365	959	104,321	18,530
Net loss for the periods	175,282	198,038	287,673	385,059
Other comprehensive income:				
Items that are or may be reclassified subsequently to net income or loss:				
Change in fair value of available- for-sale marketable securities	-	14,400	11,500	30,400
Comprehensive loss for the periods	175,282	212,438	299,173	415,459
Basic and diluted loss per share	0.002	0.003	0.004	0.006
Weighted average number of shares outstanding	86,568,067	66,640,918	85,219,931	65,613,060

The results for the three-month period ended December 31, 2015 show an operating loss of \$196,610 (\$210,669 for the same period in the previous year). Aside from interest revenues of \$16 (\$3,595 for the same period in the previous year), the Company has no revenues from operations.

As seen in the previous statement of loss and comprehensive loss, the main variations between the current three-

Management discussion and analysis**February 24, 2016**

month period and the previous year comparative figures are: i) Compensation decreased by \$48,663 mainly due to a reorganisation in the management personnel; ii) Registration, listing fees and shareholders' information decreased by \$23,222 principally related to the shareholders' general meeting held in different quarter; III) Promotion and advertising, combined with representation, mission and trade shows all together increased by a total of \$13,686, which was mainly due to the fact that more efforts was done this year in order to promote the Company towards attracting investors; iv) Consultant fees increased by \$24,495 mainly due to consultant used to promote Company towards attracting investors and for administrative purposes; and v) Professional fees increased by \$13,337 mainly due to more legal fees expense towards corporate affairs.

The results for the six-month period show an operating loss of \$327,649 (\$412,642 for the same period in the previous year). Aside from interest revenues of \$3,676 (\$6,647 for the same period in the previous year), the Company has no revenues from operations.

As seen in the previous statement of loss and comprehensive loss, the main variations between the current six-month period and the previous year comparative figures are: i) Compensation decreased by \$92,115 mainly due to a reorganisation in the management personnel; ii) Registration, listing fees and shareholders' information decreased by \$31,448 principally related to the shareholders' general meeting held in different quarter; III) Promotion and advertising, combined with representation, mission and trade shows all together increased by a total of \$25,523, which was mainly due to the fact that more efforts was done this year in order to promote the Company towards attracting investors; iv) Consultant fees increased by \$8,516 mainly due to consultant used to promote Company towards attracting investors and for administrative purposes.

Financing activities for the three and six months periods ended December 31, 2015

On November 6, 2015, the Company closed a non-brokered private placement of an aggregate of 3,875,000 units at a price of \$0.08 per unit for a gross proceed of \$310,000. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.10 for a period of 24 months following the closing of the private placement.

On December 18, 2015, the Company closed a brokered private placement for an aggregate gross proceeds of \$275,000. Pursuant to this placement, the Company issued a total of 500 "flow-through units" at a price of \$550 per unit. Each "flow-through unit" consists of 4,000 common shares in the capital of the Company issued as flow-through shares at a price of \$0.11 per flow-through share, 1,375 common shares in the capital of the Company at a price of \$0.08 per common share and 2,688 common share purchase warrants of the Company. Each warrant entitles its holder thereof to purchase one common share at a price of \$0.10 per common share, until December 18, 2017. In consideration for its services, the agent received a cash commission of \$24,805 and 130,881 agent's compensation warrants to purchase, until December 18, 2017, a total of 130,881 common shares at a price of \$0.10 per common share.

Investing activities for the three and six months periods ended December 31, 2015

During the second quarter, the cash flow used by the investing activities totalling \$349,986 was mostly for exploration and evaluation assets (mainly on the Croinor Gold property) for a total of \$367,359 (net of the variation during the period in the accounts payables and accrued liabilities related to such amounting to \$52,247).

During the second quarter, the cash flow used by the investing activities totalling \$755,456 was mostly for exploration and evaluation assets (mainly on the Croinor Gold property) for a total of \$799,544 (net of the variation during the period in the accounts payables and accrued liabilities related to such amounting to \$115,960). An amount of \$15,200

related to tax credits and mining rights receivable was cashed during the quarter. Finally, the Company also disposed of marketable securities amounting to a cash inflow of \$11,515.

Consolidated statement of financial position as at December 31, 2015

As at December 31, 2015, the total assets of the Company totalled \$7,291,509, representing a net increase of \$97,711 when compared to June 30, 2015. The increase in the total assets during the six-month period ended December 31, 2015 is mostly related to the cash flow generated by the financing activities and partially offset by the exploration expenses and the decrease in the accounts payable and accrued liabilities.

Management estimates that the working capital available to the Company at the end of the period will provide the Company with adequate funding in order to cover its 2015-2016 fiscal year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2016 calendar year exploration budget. Since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and, despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

Management discussion and analysis

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The details for the total exploration and evaluation expenses done during the three-month period ended on December 31, 2015 and 2014 on each property are presented in the following table:

Properties	Balance as at September 30, 2015 (\$)	Salaries and Consultants (\$)	Geology and geophysics (\$)	Test, sampling and prospecting (\$)	Drilling, equipment rental and other material (\$)	Lodging, meals and travel expenses (\$)	Increase (Decrease) for the period (\$)	Tax credits for resources	Balance as at December 31, 2015 (\$)
Belcourt Gold	2,449	-	-	-	-	-	-	-	2,449
Croinor Gold	1,590,734	40,393	142,621	15,199	66,725	6,093	271,031	-	1,861,765
Regcourt Gold	41,512	-	-	-	-	-	-	-	41,512
Simkar Gold	1,038,333	-	44,081	-	-	-	44,081	-	1,082,414
TOTAL	2,673,028	40,393	186,702	15,199	66,725	6,093	315,112	-	2,988,140

The details for the total exploration and evaluation expenses done during the six-month period ended on December 31, 2014 on each property are presented in the following table:

Properties	Balance as at September 30, 2014 (\$)	Salaries and Consultants (\$)	Geology and geophysics (\$)	Test, sampling and prospecting (\$)	Drilling, equipment rental and other material (\$)	Lodging, meals and travel expenses (\$)	Increase (Decrease) for the period (\$)	Tax credits for resources	Balance as at December 31, 2014 (\$)
Belcourt Gold	2,449	-	-	-	-	-	-	-	2,449
Croinor Gold ⁽¹⁾	165,927	22,807	43,982	1,971	(3,197)	4,199	69,762	(12,846)	222,843
Regcourt Gold ⁽²⁾	41,512	-	-	-	-	-	-	-	41,512
Simkar Gold ⁽³⁾	1,023,333	-	-	-	-	-	-	-	1,023,333
TOTAL	1,233,221	22,807	43,982	1,971	(3,197)	4,199	69,762	(12,846)	1,290,137

Management discussion and analysis

February 24, 2016

The details for the total exploration and evaluation expenses done during the six-month period ended on December 31, 2015 and 2014 on each property are presented in the following table:

Properties	Balance as at June 30, 2015 (\$)	Salaries and Consultants (\$)	Geology and geophysics (\$)	Test, sampling and prospecting (\$)	Drilling, equipment rental and other material (\$)	Lodging, meals and travel expenses (\$)	Increase (Decrease) for the period (\$)	Tax credits for resources	Balance as at December 31, 2015 (\$)
Belcourt Gold	2,449	-	-	-	-	-	-	-	2,449
Croinor Gold	1,222,262	95,465	248,236	34,020	249,134	12,648	639,503	-	1,861,765
Regcourt Gold	41,512	-	-	-	-	-	-	-	41,512
Simkar Gold	1,038,333	-	44,081	-	-	-	44,081	-	1,082,414
TOTAL	2,304,556	95,465	292,317	34,020	249,134	12,648	683,584	-	2,988,140

The details for the total exploration and evaluation expenses done during the six-month period ended on December 31, 2014 on each property are presented in the following table:

Properties	Balance as at June 30, 2014 (\$)	Salaries and Consultants (\$)	Geology and geophysics (\$)	Test, sampling and prospecting (\$)	Drilling, equipment rental and other material (\$)	Lodging, meals and travel expenses (\$)	Increase (Decrease) for the period (\$)	Tax credits for resources	Balance as at December 31, 2014 (\$)
Belcourt Gold	2,449	-	-	-	-	-	-	-	2,449
Croinor Gold ⁽¹⁾	12,071	88,092	160,365	1,971	-	7,790	258,218	(47,446)	222,843
Regcourt Gold ⁽²⁾	34,885	-	6,627	-	-	-	6,627	-	41,512
Simkar Gold ⁽³⁾	1,015,027	-	8,306	-	-	-	8,306	-	1,023,333
TOTAL	1,064,432	88,092	175,298	1,971	-	7,790	273,151	(47,446)	1,290,137

MONARQUES GOLD CORPORATION

Management discussion and analysis

Selected quarterly data

Operating results for each of the last 8 quarters are presented in the table below. The data related to these quarters were prepared in the same manner as that of the audited financial statements for the fiscal year ended June 30, 2015.

Operating results as at:	Finance income (\$)	Loss before income taxes (\$)	Comprehensive loss (\$)	Loss per share – basic and diluted (\$)
December 31, 2015	16	129,917	175,282	0.002
September 30, 2015	3,660	53,435	123,891	0.001
June 30, 2015	4,347	94,060	211,324	0.003
March 31, 2015	5,293	134,826	173,302	0.002
December 31, 2014	3,595	197,079	212,438	0.003
September 30, 2014	3,052	169,450	203,022	0.003
June 30, 2014	2,279	199,592	229,592	0.004
March 31, 2014	1,879	121,356	121,356	0.002

Common shares:

Outstanding shares information as at:	Common shares outstanding	Number of weighted average Common shares outstanding
As at the date of this report	90,434,265	86,419,882
December 31, 2015	90,434,265	86,568,067
September 30, 2015	83,871,765	83,871,765
June 30, 2015	83,871,765	83,871,765
March 31, 2015	79,871,765	79,871,765
December 31, 2014	79,871,765	66,640,918
September 30, 2014	64,585,204	64,585,204
June 30, 2014	64,585,204	58,619,982
March 31, 2014	57,058,389	55,825,259

Share purchase options:

Outstanding share purchase options as at:	Options issued	Options exercisable	Average exercise strike price (\$)
As at the date of this report	6,225,000	6,150,000	0.19
December 31, 2015	5,200,000	5,125,000	0.21
September 30, 2015	5,050,000	4,975,000	0.21
June 30, 2015	5,095,000	4,982,500	0.22
March 31, 2015	4,145,000	4,032,500	0.23
December 31, 2014	3,670,000	3,595,000	0.25
September 30, 2014	3,670,000	3,582,500	0.25
June 30, 2014	3,696,250	3,506,250	0.25
March 31, 2014	3,101,250	2,913,750	0.27

MONARQUES GOLD CORPORATION

Management discussion and analysis

As at December 31, 2015, the Company had 5,200,000 outstanding options to purchase common shares. These options allow their holder to subscribe to common shares at a price varying between \$0.125 and \$0.40 per common share for a period varying from 24 months to 60 months from the issue date, subject to the conditions established under the common share purchase option Plan. During the period ended December 31, 2015, 45,000 options expired with an exercise price varying between \$0.14 and \$0.40.

Between January 1, 2016 and the date of this report, 1,025,000 options were granted allowing their holder to subscribe to common shares at a price of \$0.08 per common share for a period of 60 months from the issue date, subject to the conditions established under the common share purchase option Plan.

Warrants granted to others than the brokers:

Outstanding warrants to shareholders as at:	Warrants issued to shareholders	Warrants exercisable	Average strike price (\$)
As at the date of this report	22,348,558	22,348,558	0.15
December 31, 2015	24,166,739	24,166,739	0.15
September 30, 2015	28,959,139	28,959,139	0.21
June 30, 2015	28,959,139	28,959,139	0.21
March 31, 2015	24,959,139	24,959,139	0.22
December 31, 2014	24,959,139	24,959,139	0.22
September 30, 2014	15,511,396	15,511,396	0.25
June 30, 2014	15,511,396	15,511,396	0.25
March 31, 2014	13,719,581	13,719,581	0.25

Warrants to brokers:

Outstanding warrants to brokers as at:	Warrants issued to brokers	Warrants exercisable	Average exercise strike price (\$)
As at the date of this report	1,048,076	1,048,076	0.13
December 31, 2015	1,048,076	1,048,076	0.13
September 30, 2015	1,696,585	1,696,585	0.17
June 30, 2015	1,696,585	1,696,585	0.17
March 31, 2015	1,696,585	1,696,585	0.17
December 31, 2014	1,696,585	1,696,585	0.17
September 30, 2014	779,390	779,390	0.21
June 30, 2014	779,390	779,390	0.21
March 31, 2014	779,390	779,390	0.21
December 31, 2013	779,390	779,390	0.21

MONARQUES GOLD CORPORATION

Management discussion and analysis

As at December 31, 2015, the Company had issued 24,166,739 exercisable warrants to shareholders and 1,048,076 exercisable warrants to brokers. Each warrant allows its holder to subscribe to one (1) common share at a price varying between \$0.10 per share to \$0.18 per share for a period varying between 24 and 36 months following their issue date. Furthermore, the 9,447,743 warrants issued to shareholders during the month of December 2014 are listed on the TSX Venture exchange under the trading symbol “MQR.WT.A”, entitling their holders thereof to purchase one common share, at a price of \$0.18 per common share, until 5:00 p.m. (Montréal time) on December 15, 2017.

Related Party Transactions and Commercial Objectives

During the three and six-month periods ended December 31, 2015, the Company incurred expenses for services rendered by executive officers of the Company. These services were rendered in the normal course of operations and are measured at the exchange amount, which is the amount agreed between the parties.

	THREE-MONTH PERIODS ENDED		SIX-MONTH PERIODS ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Wages and fringe benefits paid to key management personnel	60,162	99,412	124,560	192,206
Wages and fringe benefits paid to other staff employees	4,107	6,015	11,322	18,645
Fees paid to the members of the Board of directors	12,986	20,491	21,595	38,741
	77,255	125,918	157,477	249,592

Inter-company transactions carried out during the three-month period ended December 31, 2015 between the Company and Nemaska Lithium Inc. (“Nemaska”) (entity having significant influence over the Company) totalled an amount of \$15,000 (\$28,500 in 2014) for compensation expenses.

Inter-company transactions carried out during the six-month period ended December 31, 2014 between the Company and Nemaska totalled an amount of \$37,500 (\$57,000 in 2014) for compensation expenses.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There is no inter-company balance payable or receivable by the Company to or from Nemaska as at December 31, 2015 and as at June 30, 2015.

Off Balance sheet agreements

The Company has not concluded any off balance sheet agreements.

Obligations and contractual commitments

The Company had the following commitments as at the date of this report:

(A) REGCOURT GOLD

The Company has agreed to pay Plato Gold Inc. a 1% Net Smelter Return (“NSR”) on all metals on some of the claims forming the property and has the right, at any time before commercial production, to purchase this 1% NSR by paying the seller \$1,000,000 in cash. Also, the Company has agreed to pay Eloro Resources Inc. a

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1.5% NSR on all metals from the claims and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying Eloro Resources Inc. \$1,000,000 in cash.

(B) SIMKAR GOLD

The Company has agreed to pay Eloro Resources Inc. a royalty equal to 1.5% NSR on all metals on the claims acquired and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying the beneficiary a total of \$1,000,000 in cash. This buyback clause does not apply to 11 of the claims forming the property.

(C) BELCOURT GOLD

The Company has agreed to pay Eloro Resources Inc. a royalty equal to 1.5% NSR on all metals on the claims acquired and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying the beneficiary a total of \$1,000,000 in cash.

(D) CROINOR GOLD

The Company has agreed to pay the beneficiaries a total royalty of 1.5% NSR on all metals on some of the claims acquired and has the right, at any time before commercial production, to purchase 50% of this NSR by paying the beneficiaries a total of \$500,000 in cash.

(E) FLOW-THROUGH SHARES

The Company is committed to incur eligible exploration and evaluation expenses, pursuant to the Canada Income Tax Act and Québec Taxation Act, of \$1,684,600 by December 31, 2015, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 15, 2014 and December 23, 2014. The Company has fulfilled this commitment since it incurred a cumulative amount of \$1,684,600 of eligible expenses prior to December 31, 2015 (\$1,035,619 as at June 30, 2015) and has no funds (\$648,981 as at June 30, 2015) reserved for exploration related to this commitment.

The Company is also committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of \$220,000 by December 31, 2016, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 18, 2015. In relation to this commitment, the Company has incurred a cumulative amount of \$19,374 of eligible expenses as at December 31, 2015 and has \$200,626 of funds reserved for exploration.

(F) LEASE

The Company rents office space for a monthly amount of \$925 until May 31, 2016. The Company is also renting storage space for an annual amount of \$3,134. As at December 31, 2015, the total contractual payments remaining until May 31, 2016, assuming the lease will not be terminated before the end of the term, will amount to \$4,625.

(G) BEACON PROPERTY

On November 17, 2015, the Company signed a letter of intent to acquire the Beacon property from 9965-9911 Québec Inc. The property consists of a metallurgical processing plant, tailings management ponds, underground installations, a 500-metre deep shaft, a mechanical shop and all mineral rights attached to the transaction, namely one mining concession, one mining lease and 11 mineral claims totalling 180 hectares (the "Beacon

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property”). The Company has until April 30, 2016, or such other date as the parties may agree, to proceed with the acquisition of the Beacon property in consideration of the payment of \$4,400,000, as follows: i) \$500,000 on closing of the transaction, payable, at Company discretion, in cash or in common shares at a price per share equal to the greater of a) the average closing price of the common shares of the Company listed on the TSX Venture Exchange (the “Exchange”) over the five days preceding the closing; or b) the lowest price at which the common shares of the Company were issued in any private placement entered into between the date the letter of intent was signed and the closing, the whole subject to the minimum price allowed by the policies of the Exchange; and ii) \$650,000 payable in cash at the 30th, 36th, 42nd, 48th, 54th and 60th month following closing of the transaction. The agreement is subject to: i) the completion of a due diligence review of Beacon property, including but not limited to the mining rights, processing plant, surface and underground infrastructure, and engineering reports, to the Company satisfaction; ii) the completion of a due diligence review of the Company by the Vendor; iii) regulatory and Ministerial approvals; iv) payment by the Vendor of 50% of the amount earmarked for the Beacon property rehabilitation plan to the Ministère de l'Énergie et des Ressources naturelles; and v) negotiation and signature of the formal deeds of sale and hypothec.

Additional information required from junior issuers with no significant income

The Company reports the information on its exploration and evaluation assets in note 7 of its consolidated condensed interim financial statements for the period ended December 31, 2015.

The Company has no research and development expenses.

The Company has no deferred expenses other than those related to its mining properties and explorations & evaluation assets.

The office and general administrative expenses for the three-month and six-month periods ended December 31, 2015 as well as the same period for the previous year are composed of the following expenses:

Rent, office and other expenses				
	Three-month periods ended December 31		Six-month periods ended December 31	
	2015 (\$)	2014 (\$)	2015 (\$)	2014 (\$)
Office supplies and mailing	162	1,969	1,851	4,036
Insurances, taxes and permits	5,546	5,837	12,591	11,749
Office expenses and equipment	291	611	473	1,077
Telecommunications	438	841	932	1,714
Training, HR activities and other adjustments	-	-	-	50
TOTAL	6,437	9,258	15,847	18,626

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Financing sources

The financing sources for the last 8 quarters and up to the date of this report are listed in the following table:

Date	Type	Financings	Amount (\$)	Use of proceeds
December 18, 2015	Brokered private placement	Common shares	55,000	<p>Purpose: General administrative expenses and working capital.</p> <p>Use of funds: Between December 18, 2015 and the date of this report, an amount of \$53,194 was used for to pay share issuance costs related to this financing, while the remaining funds have not been used by the Company.</p>
		Flow-through shares	220,000	<p>Purpose: Exploration work on the properties owned by the Company.</p> <p>Use of funds: Between December 18, 2015 and December 31, 2015, a total of \$19,374 was used for exploration work on the Company properties. As at December 31, 2015, there is a balance of \$200,626 to be used by the Company for exploration related to this financing. This is in line with the expected use of funds.</p>
November 6, 2015	Non-brokered private placement	Common shares	310,000	<p>Purpose: General administrative expenses and mining properties acquisition and investments.</p> <p>Use of funds: As at the date of this report, the Company has not used any funds.</p>
December 15 and 23, 2014	Prospectus Brokered placement	Common shares	618,560	<p>Purpose: General administrative expenses and working capital.</p> <p>Use of funds: Between December 15, 2014 and the date of this report, an amount of \$419,295 was used for to pay share issuance costs related to this financing, while the remaining funds have been used by the Company as expected.</p>
		Flow-through shares	1,684,600	<p>Purpose: Exploration work on the properties owned by the Company.</p> <p>Use of funds: Between December 15, 2014 and December 31, 2015, a total of \$1,684,600 was used for exploration work on the Company properties. As at December 31, 2015, there is no balance to be used by the Company for exploration related to this financing. This is in line with the expected use of funds.</p>

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Date	Type	Financings	Amount (\$)	Use of proceeds
June 30, 2014	Private placement	Common shares	405,000	<p>Purpose: General administrative expenses and mining properties acquisition.</p> <p>Use of funds: As at the date of this report, these funds have been used by the Company as expected.</p>
June 11, 2014	Warrants exercised	Common shares	163,900	<p>Purpose: General administrative expenses and mining properties acquisition.</p> <p>Use of funds: As at the date of this report, these funds have been used by the Company as expected.</p>
May 16, 2014	Warrants exercised	Common shares	44,000	<p>Purpose: General administrative expenses and mining properties acquisition.</p> <p>Use of funds: As at the date of this report, these funds have been used by the Company as expected.</p>
February 10, 2014	Warrants exercised	Common shares	88,000	<p>Purpose: General administrative expenses and mining properties acquisition.</p> <p>Use of funds: As at the date of this report, these funds have been used by the Company as expected.</p>
February 7, 2014	Private placement	Common shares	200,000	<p>Purpose: General administrative expenses and mining properties acquisition.</p> <p>Use of funds: As at the date of this report, these funds have been used by the Company as expected.</p>

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

(A) STATEMENT OF COMPLIANCE:

These unaudited consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements except where noted below. These unaudited consolidated condensed interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited consolidated condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial

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statements and the notes thereto for the year ended June 30, 2015. On February 24, 2016, the Board of Directors approved, for issuance, these consolidated condensed interim financial statements.

(B) BASIS OF MEASUREMENT:

The consolidated condensed interim financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets which are measured at fair value through other comprehensive income.

The consolidated condensed interim financial statements have been prepared on a going concern basis, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

These consolidated condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the consolidated condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

In preparing these consolidated condensed interim financial statements, the significant judgments made by management applying the Company accounting policies and the key sources of estimation uncertainty were the same as those described in the Company's audited annual financial statements for the year ended June 30, 2015.

Significant accounting policies

These consolidated condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the years ended June 30, 2015.

Financial risk factors

There is a full disclosure and description of the Company's financial instruments, financial risks management and capital management in note 19 and 20 of the audited consolidated financial statements for the year ended June 30, 2015.

Other risks and uncertainties

There is a full disclosure and description of the Company's risk factors in the MD&A for the year ended June 30, 2015.

FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalents, in trust deposit, other receivables and deposits and accounts payable and accrued liabilities approximate their fair value

due to the immediate or short-term maturity of these financial instruments.

Properties titles

According to the mining law and regulations of the Province of Quebec, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Québec government, a rent per claim, for every 2 year renewal period. Between the date of this MD&A and June 30, 2016, 107 claims, 1 mining lease and 2 mining concessions will need to be renewed and will require exploration expenditures amounting to \$7,892 and mining rights will have to be paid in the amount of \$6,452.

Additional financing

In the future, additional funds will be required to finance the exploration or development work on the Company's properties, to pay for the renewal of the claims forming the properties and to cover the costs of managing the Company. The main sources of funds available to the Company are the issuance of additional shares, the borrowing of money or the sale of interests in its properties. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Conditions of the industry in general

The exploration and development of mineral resources involves significant risks that even a due diligence evaluation, combined with experience and know-how could not avoid. Although the discovery of a deposit can prove to be extremely lucrative, only a few properties where exploration and development work are carried out become producing mines thereafter. Important expenditures are necessary to establish ore reserves, to work out the metallurgical processes and to build the mining plant on a particular site. It is impossible to provide assurance to the effect that the exploration and development programs contemplated by the Company will generate a profitable mine.

Economic viability of a mineral deposit depends on many factors, of which some are due to the specific characteristics of the deposit, in particular its size, its grade and its proximity with the infrastructures as well as the cyclic character of the prices of metals and the governmental regulations, the royalties, the limits of production, the import and export of minerals and the protection of the environment. The impact of these factors cannot be evaluated in a precise way, but their effect can make so that the mineral deposit does not provide an adequate return of the funds invested.

The mining activities comprise a high level of risks. The activities of the Company are subject to all the dangers and the risks usually dependent on the exploration and the development, including the unusual and unforeseen geological formations, explosions, collapses, floods and other situations which can occur during drilling and the removal of material and of which any could cause physical or material or environmental injuries and, possibly, legal responsibility.

Governmental regulation

The activities of the Company are subject to various federal, provincial and local laws, which relate to the exploration and development, taxes, standards of work, diseases and the occupational safety, the safety in mines, toxic substances, the protection of the environment and others. The exploration and the development are subject to legislative measures and laws with the federal, provincial and local levels relating to the protection of the environment. These laws impose high standards on the mining industry, in order to control the rejects of waste water and to force the participants to account for such controls to the lawful authorities, to reduce or eliminate the impact that are generated by certain production activities; extraction and of treatment and which are later on

deposited on the ground or are rejected into the air or the water, to complete work of restoration of the mining properties, to control dangerous waste and materials and to reduce the risk of industrial accidents. The defect to conform to the above-mentioned legislative measures can involve important fines and other penalties.

Risks of lawsuits and no insurable risks

The Company could be held responsible for pollution or for other risks against which it could not be insured or against which it could choose not to be insured, given the high cost of the premiums or for other reasons. The payment of sums in this respect could involve the loss of the assets of the Company.

Conflicts of Interest

Some of the directors and officers of the Company are engaged as directors or officers of other corporations involved in the exploration and development of mineral resources. Such engagement could result in conflicts of interest. Any decision taken by these directors and officers and involving the Company will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Company and these other corporations. Moreover, these directors and officers will declare their interests and will abstain to vote on any question which could give place to a conflict of interest.

Permits, licences and authorizations

The activities of the Company require obtaining and maintaining permits and licences from various governmental authorities. The Company considers that it holds all the permits and licences required for its activities; it currently carries on, in accordance with the relevant laws and by-laws. Changes brought to the by-laws could affect these permits and licences. Nothing guarantees that the Company can obtain all the permits and all the necessary licences in order to continue its mining activities, to build mines or mining plants and to begin the exploitation of its exploration properties. Moreover, if the Company begins the exploitation of an exploration property, it will have to obtain the necessary permits and licences and to conform to all the required obligations concerning the use of water, removal of waste etc. It cannot be guaranteed that the Company will be able to obtain these permits and licences, nor that it will be able to conform to their requirements.

Dependence on the management

The Company is dependent towards certain persons of its management. The loss of their services could have an unfavourable impact on the Company.

Territorial claims

The properties in which the Company holds an interest are not currently subject to territorial claims on behalf of first nations. No assurance can however be provided to the effect that such will not be the case in the future.

Price of metals

The price of the common shares, the financial results of the Company, its exploration and development activities; could all be negatively impacted by the fall of the prices of metals, resulting in an impact on the capacity of the Company to finance its activities. The prices of metals fluctuate in an important way and are tributary to various factors which are independent of the control of the Company, such as the sale or the purchase of metals by various brokers, central banks and financial institutions, the rates of interest, foreign exchange rates, the rates of inflation, of deflation, the fluctuations in the value of the Canadian dollar and other currencies, the regional and world offer and demand, the economic conjuncture and policies of countries of the world which are large metal producers. The

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prices of metals fluctuated hugely these last years and any serious downward correction could prevent the continuation of the development activities of the properties of the Company.

Tax risks

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company. In such an event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

Additional Information and Continuous Disclosure

This MD&A was prepared as of the date shown in the header of this document. Additional information relating to the Company, including the technical reports mentioned herein and the Company's Proxy Circular can be found on the website www.sedar.com and on our website at www.monarquesgold.com.

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GENERAL INFORMATION

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STOCK EXCHANGE

TSX Venture Exchange
Symbol: **MQR** for the shares,
MQR.WT for the warrants issued in December 2012 and expiring in December 2015, and
MQR.WT.A for the warrants issued in December 2014 and expiring in December 2017

OFFICERS

Jean-Marc Lacoste
President, CEO and director

Alain Lévesque, CPA, CA
Chief Financial Officer

BOARD OF DIRECTORS

Michel Baril*, Eng., Chairman of the Board
Guy Bourassa, Director and Secretary
Michel Bouchard*, Director
Christian Pichette*, Director

* Member of the audit committee

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