

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS



**THREE-MONTH PERIOD ENDED
SEPTEMBER 30, 2016**

MONARQUES GOLD CORPORATION

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Three-month period ended September 30, 2016

Consolidated Condensed Interim Financial Statements

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MONARQUES GOLD CORPORATION

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited consolidated condensed interim financial statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The management is responsible for the preparation, integrity and objectivity of the unaudited consolidated condensed interim financial statements and other financial information presented in this Report. Other information included in these unaudited consolidated condensed interim financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the unaudited consolidated condensed interim financial statements are presented fairly in all material respects.

A system of administrative, internal accounting and disclosure controls have been developed and are maintained by management to provide reasonable assurance that assets are safeguarded and that financial information is accurate and reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and is mainly composed of independent directors. The Audit Committee meets periodically with management and the independent auditors to review accounting, auditing and internal control matters. These unaudited consolidated condensed interim financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The unaudited consolidated condensed interim financial statements for the three-month period ended September 30, 2016 have not been reviewed by KPMG LLP, the independent auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that all transactions are being made only in accordance with the authorizations of management and/or directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

/s/ Jean-Marc Lacoste
Jean-Marc Lacoste, President and CEO

/s/ Alain Lévesque
Alain Lévesque, Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

SEPTEMBER 30, 2016 AND JUNE 30 2016

	NOTE	SEPTEMBER 30 2016	JUNE 30, 2016
		\$	\$
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	11	6,760,962	4,706,477
Sales tax receivable		90,000	43,826
Tax credits and mining rights receivable		7,500	7,500
Prepaid expenses		51,056	20,750
		6,909,518	4,778,553
NON-CURRENT ASSETS:			
In trust deposit	5	312,117	312,117
Assets under construction		15,366	13,545
Deposit for acquisition of property, plant and equipment	16	746,073	-
Mining properties	6	3,036,476	3,021,429
Exploration and evaluation assets	7	3,604,596	3,115,463
		7,714,628	6,462,554
TOTAL ASSETS		14,624,146	11,241,107
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		605,898	213,532
Liability related to flow-through shares	9 ⁽ⁱ⁾	420,438	15,285
		1,026,336	228,817
NON-CURRENT LIABILITIES:			
Deferred grant	8	638,278	643,740
Deferred income taxes and mining taxes		578,602	500,341
Asset retirement obligations		416,155	416,155
		1,633,035	1,560,236
TOTAL LIABILITIES		2,659,371	1,789,053
EQUITY:			
Share capital and warrants	9	27,663,007	24,825,829
Contributed surplus		910,379	738,379
Deficit		(16,608,611)	(16,112,154)
		11,964,775	9,452,054
TOTAL LIABILITIES AND EQUITY		14,624,146	11,241,107

Reporting entity and nature of operations (Note 1); Going concern (Note 2); Commitments (Note 11);

The notes on pages 7 to 19 are an integral part of these consolidated condensed interim financial statements.

On behalf of the Board:

'Jean-Marc Lacoste', Director

'Michel Baril', Director



CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	NOTE	2016	2015
		\$	\$
Expenses:			
Compensation	13	157,816	80,222
Share-based payments	10	180,000	1,132
Rent, office and other expenses		15,262	9,410
Registration, listing fees and shareholders' information		5,968	1,237
Promotion and advertising		37,816	15,239
Representation, missions and trade shows		27,772	5,994
Consultant fees		98,502	3,526
Professional fees		8,438	17,060
Total expenses		531,574	133,820
Net finance (income) expense:			
Finance income		(7,616)	(3,660)
Finance expense		962	879
		(6,654)	(2,781)
Operating loss		524,920	131,039
Other items:			
Other income related to flow-through shares	9 ⁽ⁱ⁾	(125,680)	(69,089)
Change in fair value of available-for-sale marketable securities		-	(8,515)
		(125,680)	(77,604)
Loss before income taxes		399,240	53,435
Current income tax recovery		(4,092)	-
Deferred income and mining taxes		78,261	58,956
		74,169	58,956
Net loss for the period		473,409	112,391
Other comprehensive loss:			
Items that are or may be reclassified subsequently to net income or loss:			
Available-for-sale marketable securities - Reclassified to statement of loss		-	11,500
Comprehensive loss for the period		473,409	123,891
Basic and diluted loss per share		0.004	0.001
Weighted average number of shares outstanding		121,143,536	83,871,765

The notes on pages 7 to 19 are an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2016	24,825,829	738,379	(16,112,154)	9,452,054
Equity financing:				
Issuance of shares relating to the deposit for the acquisition of property, plant and equipment	746,073	-	-	746,073
Flow-through shares	2,082,500	-	-	2,082,500
Flow-through shares premium	(530,833)	-	-	(530,833)
Exercise of warrants	518,938	-	-	518,938
Share issuance costs	-	-	(23,048)	(23,048)
<u>OPTIONS:</u>				
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	180,000	-	180,000
Exercise of options	20,500	(8,000)	-	12,500
	27,663,007	910,379	(16,135,202)	12,438,184
<u>NET LOSS FOR THE PERIOD</u>	-	-	(473,409)	(473,409)
BALANCE AS AT SEPTEMBER 30, 2016	27,663,007	910,379	(16,608,611)	11,964,775

The notes on pages 7 to 19 are an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT	TOTAL
	\$	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2015	20,274,089	698,643	11,500	(14,924,013)	6,060,219
<u>OPTIONS:</u>					
Granted to employees, officers, directors, consultants or I.R. representatives	-	1,132	-	-	1,132
	20,274,089	699,775	11,500	(14,924,013)	6,061,351
<u>NET LOSS FOR THE PERIOD</u>	-	-	-	(112,391)	(112,391)
<u>OTHER COMPREHENSIVE LOSS:</u>					
Change in fair value of available-for-sale marketable securities	-	-	(11,500)	-	(11,500)
BALANCE AS AT SEPTEMBER 30, 2015	20,274,089	699,775	-	(15,036,404)	5,937,460

The notes on pages 7 to 19 are an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
	\$	\$
Cash flows from operating activities:		
Net loss for the period	(473,409)	(112,391)
Adjustments for:		
Share-based payments	180,000	1,132
Other income related to flow-through shares	(125,680)	(69,089)
Change in fair value of available-for-sale marketable securities	-	(8,515)
Deferred income tax expense	78,261	58,956
Net change in non-cash operating working capital	10,549	46,060
	(330,279)	(83,847)
Cash flows from financing activities:		
Flow-through shares	2,082,500	-
Exercise of warrants	518,938	-
Exercise of options	12,500	-
Share issuance costs	(23,048)	(4,946)
	2,590,890	(4,946)
Cash flows from investing activities:		
Addition to mining properties	(15,047)	-
Addition to assets under construction	(7,283)	-
Disposal of marketable securities	-	11,515
Cashed tax credits	-	15,200
Increase in exploration and evaluation assets	(183,796)	(432,185)
	(206,126)	(405,470)
Net increase (decrease) in cash and cash equivalents	2,054,485	(494,263)
Cash and cash equivalents, beginning of period	4,706,477	1,378,648
Cash and cash equivalents, end of period	6,760,962	884,385

Additional information relating to statements of cash flows (note 12)

The notes on pages 7 to 19 are an integral part of these consolidated condensed interim financial statements.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

1. REPORTING ENTITY AND NATURE OF OPERATIONS:

Monarques Gold Corporation (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 address of the head office of the Company is 1, Place Ville Marie, Suite 2901, Montréal (Québec), Canada H3B 0E9 and the web site is www.monarquesgold.com.

The Company has incorporated under the *Canada Business Act* a wholly-owned subsidiary, on August 2016, which is Beacon Gold Mill Inc.

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 consolidated condensed interim 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.

2. GOING CONCERN:

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 2016-2017 fiscal year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2016 and 2017 calendar year exploration budget. However, since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and meet its obligation related to the acquisition of the Beacon Mill (refer to note 16 – Beacon mill acquisition) and the design and building of a power line for the Croinor property (refer to note 8). 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 September 30, 2016, 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 \$4,473,272 in cash and cash equivalents not reserved for exploration or for the design and build of the power line on Croinor property (\$4,006,691 as at June 30, 2016). The total working capital (excluding funds reserved for exploration, design and build of the power line on Croinor property, current payment required to fund the In trust deposit and liability related to flow-through shares) of \$3,911,892 will be used to meet its financial liabilities and future financial liabilities from its commitments mainly related to the acquisition of the Beacon Mill and the development of the Croinor property. The Company had \$1,649,412 (\$56,046 as at June 30, 2016) of funds reserved for exploration and \$638,278 (\$643,740 as at June 30, 2016) for design and build the power line at Croinor property as at September 30, 2016.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

2. GOING CONCERN (CONTINUED):

These unaudited 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 unaudited 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.

3. BASIS OF PREPARATION:

(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 statements and the notes thereto for the year ended June 30, 2016. On November 22, 2016, the Board of Directors approved, for issuance, these unaudited consolidated condensed interim financial statements.

(B) BASIS OF MEASUREMENT:

The unaudited consolidated condensed interim financial statements have been prepared on the historical cost basis.

The unaudited 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 unaudited consolidated condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

3. BASIS OF PREPARATION (CONTINUED):

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the unaudited 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 unaudited 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, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES:

These unaudited consolidated condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended June 30, 2016.

5. IN TRUST DEPOSIT:

The Company's provision consists primarily of assets retirement obligations for costs associated with mine reclamation and closure activities at the Croinor property, following the acquisition of "X-Ore". Following the restoration plan submitted in 2014 by the Company to the Ministère des Ressources Naturelles et de la Faune of the province of Québec ("MRNF"), the MRNF advised the Company on January 23, 2015 that the total amount of the financial guarantee for the restoration of the mining site would be \$416,155. As at September 30, 2016, the Company has investments totaling \$312,117 (\$312,117 as at June 30, 2016) in term deposits in accordance with the current financial guarantee requirements set forth by the MRNF for future site restoration costs at the Croinor mining site. These term deposits bears interest ranging from 1.20% to 1.55%, maturing between February 20, 2017 and September 7, 2018. The remaining amount of \$104,038 will need to be deposited in a trust account on January 23, 2017.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

6. MINING PROPERTIES:

PROPERTIES ⁽¹⁾	LOCALIZATION	ROYALTIES ⁽²⁾	JUNE 30, 2016	ACQUISITION	ASSET RETIREMENT	SEPTEMBER 30, 2016
			\$	\$	\$	\$
Croinor Gold	SNRC 32C02, 32C03	1.5%	2,822,488	14,444	-	2,836,932
Regcourt Gold	SNRC 32C03	2.5%	108,538	-	-	108,538
Simkar Gold	SNRC 32C04	1.5%	90,403	603	-	91,006
			3,021,429	15,047	-	3,036,476

PROPERTIES ⁽¹⁾	LOCALIZATION	ROYALTIES	JUNE 30, 2015	ACQUISITION	IMPAIRMENT	JUNE 30, 2016
			\$	\$	\$	\$
Belcourt Gold	SNRC 32C06	1.5%	3,453	-	(3,453)	-
Croinor Gold	SNRC 32C02, 32C03	1.5%	2,822,488	-	-	2,822,488
Regcourt Gold	SNRC 32C03	2.5%	105,911	2,627	-	108,538
Simkar Gold	SNRC 32C04	1.5%	90,403	-	-	90,403
			3,022,255	2,627	(3,453)	3,021,429

⁽¹⁾ Properties are all located in the Province of Québec, Canada.

⁽²⁾ The claims comprising the properties have either been acquired with different agreements or by map designation and therefore royalties applicable, if any, are covered under specific agreements as the case may be.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

7. EXPLORATION AND EVALUATION ASSETS:

Exploration and evaluation assets by properties can be detailed as follows:

	JUNE 30, 2016	EXPLORATION EXPENSES	TAX CREDITS FOR RESOURCES	SEPTEMBER 30, 2016
	\$	\$	\$	\$
Croinor Gold	1,990,241	439,048	-	2,429,289
Regcourt Gold	41,512	-	-	41,512
Simkar Gold	1,083,710	50,085	-	1,133,795
	3,115,463	489,133	-	3,604,596

	JUNE 30, 2015	EXPLORATION EXPENSES	TAX CREDITS FOR RESOURCES	IMPAIRMENT	JUNE 30, 2016
	\$	\$	\$	\$	\$
Belcourt Gold	2,449	-	-	(2,449)	-
Croinor Gold	1,222,262	763,359	4,620	-	1,990,241
Regcourt Gold	41,512	-	-	-	41,512
Simkar Gold	1,038,333	49,576	(4,199)	-	1,083,710
	2,304,556	812,935	421	(2,449)	3,115,463

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

Exploration and evaluation assets by nature can be detailed as follows:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016	YEAR ENDED JUNE 30, 2016
	\$	\$
Exploration expenses:		
Salaries, supervision and consultants	176,072	149,303
Geology and geophysics	182,088	306,619
Test, sampling and prospecting	4,119	45,744
Drilling, equipment rental and other material	120,797	295,012
Lodging, meals and travel expenses	6,057	16,257
Increase of exploration expenses	489,133	812,935
Tax credits for resources	-	421
Impairment	-	(2,449)
Balance, beginning of period	3,115,463	2,304,556
Balance, end of period	3,604,596	3,115,463

8. DEFERRED GRANT:

For the quarter ended September 30, 2016, the Company incurred \$7,283 (\$54,180 for the year ended June 30, 2016) of capital expenditure. Consequently, the Company reduced the deferred grant by \$5,462 (\$40,635 for the year ended June 30, 2016), an amount representing 75% of the cost incurred during the period. The balance of all cost incurred to date net of grant amounts to \$15,366 (\$13,545 as at June 30, 2016) and is recorded as assets under construction on the balance sheet. Finally, the deferred grant as at September 30, 2016 is \$638,278 (\$643,740 as at June 30, 2016).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

9. SHARE CAPITAL AND WARRANTS:

Authorized:

Unlimited number of common shares without par value.

Changes in the Company share capital and warrants were as follows:

	NUMBER OF WARRANTS	NUMBER OF SHARES	AMOUNT \$
Balance as at June 30, 2016	25,440,015	114,280,174	24,825,829
Flow-through shares ⁽ⁱ⁾	4,083,333	4,083,333	1,551,667
Warrants exercised	(3,085,274)	3,085,274	518,938
Options exercised	-	100,000	20,500
Shares issued as deposit for acquisition of property, plant and equipment	-	1,308,900	746,073
Balance as at September 30, 2016	26,438,074	122,857,681	27,663,007

⁽ⁱ⁾ The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$530,833 that was recorded when the flow-through shares were issued during the financing that occurred on July 7, 2016. As at September 30, 2016, the balance of the liability related to these flow-through shares is \$420,438. During the three-month period ended September 30, 2016, an amount of \$110,395 has been recognized as other income related to flow-through shares in the consolidated condensed interim statements of loss and comprehensive loss, representing the portion of the liability related to the increase in the exploration and evaluation assets during the period in relation with the total flow-through shares financing.

As at June 30, 2016, the balance of the liability related to flow-through shares financing closed in December 2015 was \$15,285. During the three-month period ended September 30, 2016, an amount of \$15,285 has been recognized as other income related to flow-through shares in the consolidated statements of loss and comprehensive loss, representing the portion of the liability related to the increase in the exploration and evaluation assets during the quarter in relation with the total flow-through shares financing.

Changes in the Company share capital and warrants were as follows:

(A) PERIOD ENDED SEPTEMBER 30, 2016:

In July 2016, the Company closed a brokered private placement of an aggregate of 4,083,333 flow-through units (the "FT Units") at a price of \$0.51 per FT Unit for a gross proceeds of \$2,082,500. Each FT 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 \$0.51 for a period of 36 months following the closing of the private placement.

The Company issued 1,308,900 common shares in July 2016 as deposit for the Beacon mill acquisition (refer to note 16). The market price of the common shares on July 21, 2016 was \$0.57. The Company was not able to reliably determine the fair value of services received and therefore, the fair value of the shares was evaluated based on the market price at the date of issuance.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

(A) PERIOD ENDED SEPTEMBER 30, 2016 (CONTINUED):

Between July 1, 2016 and up to September 30, 2016, 100,000 options were exercised at an exercise price of \$0.125 and 3,085,274 warrants were exercised at an exercise price between \$0.10 and \$0.18. Following these exercises, the Company received an aggregate amount of \$531,438 and issued a total of 3,185,274 common shares of the Company.

(B) WARRANTS GRANTED TO OTHERS THAN THE BROKERS:

Changes in the Company's warrants granted to others than the brokers were as follows. Each warrant can be converted into one common share of the Company:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016		YEAR ENDED JUNE 30, 2016	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of the period	24,562,565	0.18	28,959,139	0.21
Granted	4,083,333	0.51	13,790,430	0.19
Exercised	(2,954,393)	0.17	(6,357,423)	0.15
Expired	-	-	(11,829,581)	0.27
Outstanding, end of period	25,691,505	0.24	24,562,565	0.18

During the period ended September 30, 2016, 2,954,393 warrants granted to others than the brokers were exercised at a price between \$0.10 and \$0.18 per common share, while the closing market price of the shares was between \$0.36 and \$0.62.

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2016	EXERCISE PRICE \$	EXPIRY DATE
3,550,000 (exercisable)	0.14	May 2017
3,750,000 (exercisable)	0.10	November 2017
4,720,678 (exercisable)	0.18	December 2017
1,016,064 (exercisable)	0.10	December 2017
8,571,430 (exercisable)	0.25	May 2019
4,083,333 (exercisable)	0.51	July 2019
25,691,505		

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

(C) WARRANTS GRANTED TO THE BROKERS:

Changes in the Company's warrants granted to the brokers were as follows. Each warrant can be converted into one common share of the Company:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016		YEAR ENDED JUNE 30, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of the period	877,450	0.13	1,696,585	0.17
Granted	-	-	130,881	0.10
Expired	-	-	(779,390)	0.21
Exercised	(130,881)	0.10	(170,626)	0.13
Outstanding, end of period	746,569	0.13	877,450	0.13

During the period ended September 30, 2016, 130,881 warrants granted to the brokers were exercised at a price of \$0.10 per common share, while the closing market price of the shares was between \$0.36 and \$0.62.

The following table summarizes the information relating to the warrants granted to the brokers:

NUMBER OF WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2016	EXERCISE PRICE	EXPIRY DATE
	\$	
746,569 (exercisable)	0.13	December 2017

10. SHARE PURCHASE OPTIONS:

The shareholders of the Company approved a share purchase option plan (the "Plan") whereby the Board of Directors may grant to employees, officers, directors and consultants of the Company share purchase options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors. The exercise price may not be lower than the market price of the common shares at the time of grant.

The Plan provides that the maximum number of common shares of the Company that may be reserved for issuance under the Plan shall not be greater than 10% of the issued shares of the Company being outstanding from time to time.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

10. SHARE PURCHASE OPTIONS (CONTINUED):

The maximum number of common shares which may be reserved for issuance to any optionee may not exceed 5% of the outstanding common shares at the time of vesting and may not exceed 2% of the outstanding common shares for consultants and investors relation representative. These options are non-assignable and non-transferable unless by legacy or inheritance and will expire no later than five years after being granted. In the case an optionee leaves the Company, his options normally expires no later than one year following his departure, subject to the conditions established under the common share purchase option plan. The vesting period for the share purchase options and warrants to brokers varies from immediate vesting up to 36 months vesting periods and the life of the options varies from two to five years.

Changes in the Company's share purchase options granted to directors, officers, employees and consultants were as follows:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016		YEAR ENDED JUNE 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	5,750,000	0.19	5,095,000	0.22
Granted	500,000	0.50	1,175,000	0.08
Expired	(1,225,000)	0.40	(345,000)	0.21
Exercised	(100,000)	0.13	(175,000)	0.13
Outstanding, end of period	4,925,000	0.17	5,750,000	0.19
Exercisable, end of period	4,925,000	0.17	5,750,000	0.19

During the period ended September 30, 2016, 100,000 share purchase options were exercised at a price of \$0.125 per common share, while the closing market price of the shares was between \$0.36 and \$0.62.

For the three-month period ended September 30, 2016, the application of the fair value model resulted in share-based payments expenses of \$180,000 (\$1,132 for the three-month period ended September 30, 2015).

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
Weighted average fair value of share purchase options granted during the period	\$0.36

Weighted average fair value of share purchase options granted during the period

\$0.36

The fair value of the options granted is established according to the Black & Scholes pricing model using the following weighted average assumptions:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
Risk-free interest rate	0.57%
Expected annual dividend rate	0%
Expected annualized volatility	105%
Expected life of options	5 years

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

10. SHARE PURCHASE OPTIONS (CONTINUED):

The following table summarizes the information relating to the share purchase options:

NUMBER OF OPTIONS OUTSTANDING AS AT SEPTEMBER 30, 2016		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	\$	
250,000	250,000	0.125	July 2017
400,000	400,000	0.250	October 2017
50,000	50,000	0.250	December 2017
800,000	800,000	0.150	September 2018
600,000	600,000	0.140	June 2019
275,000	275,000	0.130	January 2020
875,000	875,000	0.120	May 2020
150,000	150,000	0.100	November 2020
1,025,000	1,025,000	0.080	January 2021
500,000	500,000	0.500	August 2021
4,925,000	4,925,000		

11. COMMITMENTS:

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 \$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 \$220,000 of eligible expenses as at September 30, 2016 and has no funds reserved for exploration related to this commitment.

The Company is committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of \$2,082,500 by December 31, 2017, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on July 7, 2016. In relation to this commitment, the Company has incurred a cumulative amount of \$433,088 of eligible expenses as at September 30, 2016 and has \$1,649,412 of funds reserved for exploration.

12. ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016	2015
	\$	\$
Share issuance related to deposit for acquisition of property, plant and equipment	746,073	-
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	(305,337)	(63,713)
Changes in accounts payable and accrued liabilities related to share issuance costs	-	(4,946)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

13. COMPENSATION:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30,	
	2016	2015
	\$	\$
Wages and fringe benefits paid to key management personnel	118,202	64,397
Wages and fringe benefits paid to the other staff employees	24,364	7,215
Fees paid to the members of the Board of Directors	15,250	8,610
	157,816	80,222

During the three-month period ended September 30, 2016, the Company incurred expenses of \$180,000 (\$1,132 in 2015) of share-based payments, of which nil (nil in 2015) were attributed to key management personnel and nil (nil in 2015) were attributed to the members of the Board of Directors in relation with the share purchase options granted.

14. EARNINGS PER SHARE:

The warrants and share purchase options were excluded from the diluted weighted average number of common shares calculation since the Company is at loss and, therefore, their effect would have been antidilutive.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments.

16. BEACON MILL ACQUISITION:

On July 5, 2016, the Company signed a letter of intent to acquire the Beacon property from 9265-9911 Québec Inc. which were amended on September 28, 2016. 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").

Event after the reporting date:

The Company closed the acquisition of the Beacon property on October 31, 2016 in consideration of the payment of CA\$1,000,000, a balance payable in cash of US\$2,415,600 and the issuance of 3,740,550 common shares, as follows: (i) \$1,000,000 cash and 2,431,650 common shares on closing of the transaction; and (ii) US\$402,600 payable in cash at the 30th, 36th, 42nd, 48th, 54th and 60th month following closing of the transaction. The Company issued 1,308,900 common shares in July 2016, having a fair value of \$746,073 and recorded this transaction as a deposit for acquisition of property, plant and equipment in the consolidated condensed interim statements of financial position as at September 30, 2016.

16. BEACON MILL ACQUISITION (CONTINUED):

Event after the reporting date (continued):

The balance of purchase price will bear interest at a rate of 10% per annum and will be calculated semi-annually. The interest on each of the deferred payments will be capitalized and added to the outstanding principal amount of such deferred payments for the first 24 months.

At any time after October 1, 2018 and prior to March 1, 2019, the Company may delay payment of one or more of the first three deferred payments by paying a premium of 20% of the deferred payment delay. The premium will be added to such delayed deferred payment. Such delayed deferred payment will then be payable in three equal amounts on the 48th, 54th and 60th month following the closing in addition to the originally deferred payments due at this time.