MANAGEMENT DISCUSSION AND ANALYSIS

MONARQUES GOLD

YEARS ENDED

JUNE 30, 2018 AND 2017

MONARQUES GOLD CORPORATION

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ONARQUES GOLD

Management discussion and analysis

Years ended June 30, 2018 and 2017

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The objective of the management's discussion and analysis is to help the reader better understand the activities of the Monarques Gold Corporation (the "Company") and the highlights of its financial results. It explains changes in the financial position and the results for the three-month period and year ended June 30, 2018 and compares the Company's statements of financial position as at June 30, 2018 and June 30, 2017.

This management's discussion and analysis, prepared in accordance with National Instrument 51-102, *Continuous Disclosure Obligations*, should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the year ended June 30, 2018. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Consequently, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

The audited consolidated financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors on October 23, 2018. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Some statements contained in this MD&A, especially 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 similar terms and expressions. These statements are based on information available at the time they are made, on assumptions and expectations by management, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section entitled Risks and uncertainties). These forward-looking statements include, but are not limited to, the Company's business objectives and its plans to develop the Wasamac gold deposit. The actual results for the Company could differ materially from those expressed or implied in these forward-looking statements. As such, it is recommended not to place undue reliance on forward-looking 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 forward-looking statements to reflect, in particular, new information or future events, and it is by no means committed to doing so.

DESCRIPTION OF THE COMPANY

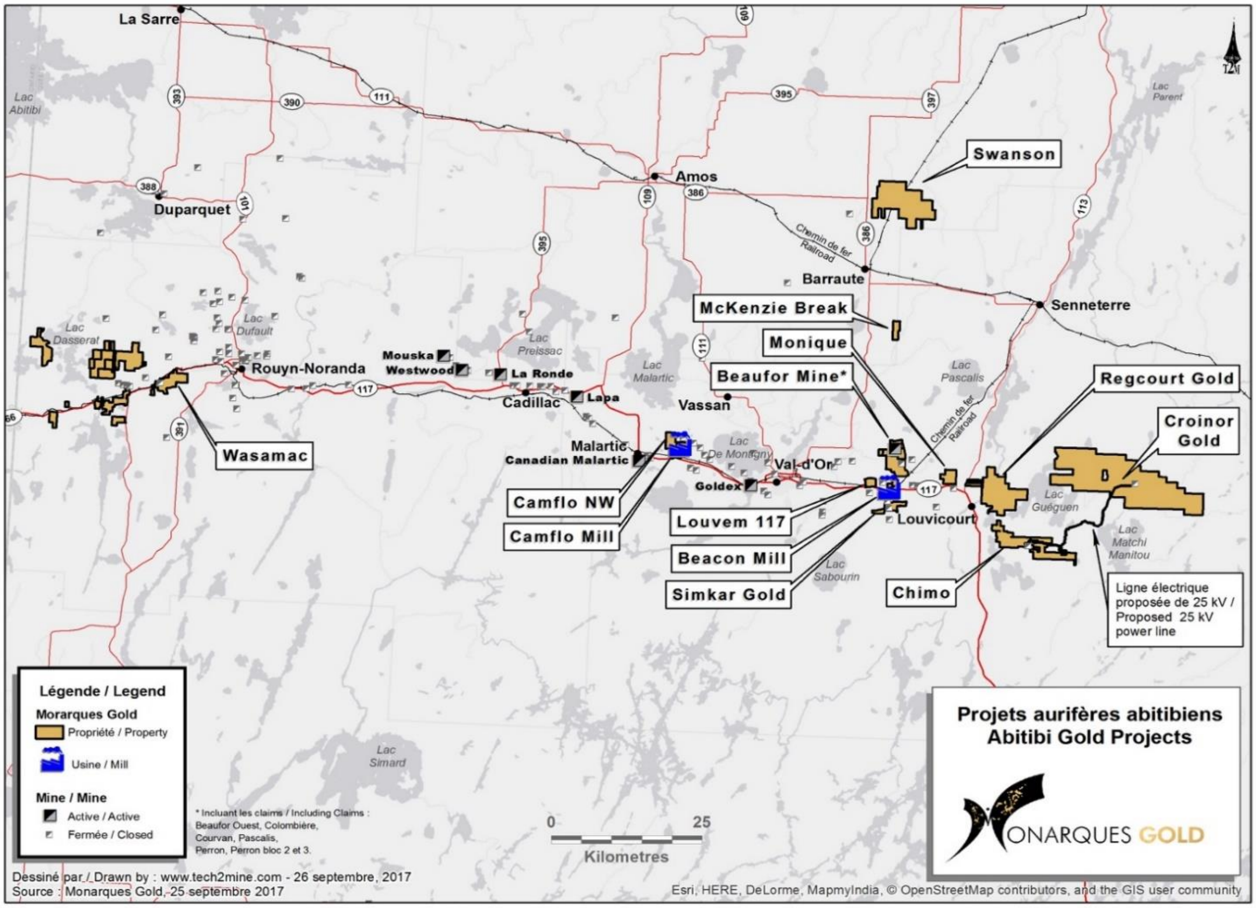
Monarques is an emerging gold mining company focused on continuing its expansion through its large portfolio of quality projects in the Abitibi mining camp in Quebec, Canada. The Company currently owns close to 300 km² of gold properties, including the Wasamac deposit, Beaufor mine, the Croinor Gold, McKenzie Break and Swanson advanced projects, the Camflo and Beacon mills, and other promising exploration projects. It also offers custom milling services out of its 1,600 tonne-per-day Camflo mill. Monarques has over 150 qualified employees who oversee its production, development and exploration activities.

On August 30, 2018, the Company decided to temporarily suspend activities at the Beaufor mine as of December 2018 and place the mine on care and maintenance.

The Company was incorporated on February 16, 2011 under the Canada Business Corporations Act. The address of the head office is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Quebec, J0R 1R0. The Company's securities are listed on the TSX Venture Exchange ("TSXV") under the symbol "MQR."

Marc-André Lavergne, Eng., Vice-President Operations, is the Company's qualified person as defined by NI 43-101 who has reviewed and verified the technical information contained in this MD&A.

LOCATION OF PROPERTIES



HIGHLIGHTS BETWEEN THE REPORTING DATE AND JUNE 30, 2018

- On October 9, 2018, the Company announced that the Toronto Stock Exchange had conditionally approved the listing of the Company's common shares, subject to the issuer's compliance with all TSX requirements by December 30, 2018.
- On October 5, 2018, the Company announced that it had acquired a 2% net smelter royalty ("NSR") on the Chimo-Boyd claims in exchange for the issuance of 170,000 common shares of Monarques priced at $0.28 per share and a cash payment of $8,400.
- During the first quarter of fiscal 2018, the Company delivered all remaining ounces of gold to Auramet International LLC under the agreement signed on October 2, 2017.
- On September 10, 2018, the Company sold its residual 30% residual interest in the Chimo property to Chalice Gold Mines Limited ("Chalice") in exchange for 3,000,000 fully paid common shares of Chalice.
- On August 30, 2018, the Company announced that production at the Beaufor Mine will be temporarily suspended as of December 2018, and the mine will be placed on care and maintenance.
- On August 3, 2018, the Company announced the filing on SEDAR of a National Instrument 43-101 technical report for its Swanson project.
- On July 19, 2018, the Company announced the filing on SEDAR of a National Instrument 43-101 technical report for its McKenzie Break project.

HIGHLIGHTS AS AT JUNE 30, 2018

- On May 31, 2018, the Company announced that it had retained BBA to conduct a feasibility study for its Wasamac gold project.
- On April 6, 2018, the Company announced its partnership with Mission Monarch, a scientific project dedicated to the conservation of the Monarch butterfly through research, citizen science and education. The project is an initiative of the Montreal Insectarium, Space for Life.
- On March 28, 2018, the Company announced the filing on SEDAR of a National Instrument 43-101 technical report for its Croinor Gold project.
- On March 12, 2018, the Company closed a non-brokered private placement of units with the Government of Quebec, through the Capital Mines Hydrocarbures fund managed by Ressources Quebec, pursuant to which the Company issued 12,820,513 units priced at $0.39 per unit for total gross proceeds of $5,000,000.
- On December 21, 2017, the Company entered into an agreement to acquire the McKenzie Break and Swanson properties.
- On December 7, 2017, the Company closed a second tranche of a non-brokered private placement of an aggregate 4,853,333 flow-through shares priced at $0.375 per flow-through share, for total gross proceeds of $1,819,999.
- On December 7, 2017, the Company entered into a custom milling contract with Nottaway Resources Inc. to process at least 15,000 tonnes of ore per month, or 180,000 tonnes in 2018. The ore will be sourced from the Vezza mine and processed at Monarques' Camflo mill.
- On November 17, 2017, the Company closed a non-brokered private placement of an aggregate of 4,130,700 flow-through shares priced at $0.375 per flow-through share, for total gross proceeds of $1,549,013.
- On November 1, 2017, the Company filed a National Instrument 43-101 technical report for its Wasamac gold property on Sedar.
- On October 2, 2017, the Company closed the transaction with Richmont Mines Inc. pursuant to which Monarques acquired all of Richmont's Quebec mining assets in exchange for the issuance of 34,633,203 common shares of the Company to Richmont.

OUTLOOK

The main business objectives that the company plans to achieve are: i) finalize the feasibility study for the Wasamac gold deposit; ii) increase the resources of the Croinor gold and McKenzie Break properties through a drilling program in the first semester of fiscal 2019; iii) ensure a supply of ore for the Camflo mill throughout 2019; and iv) study the various possible scenarios for the Beaufor mine.

GOING CONCERN

Management estimates that the working capital available to the Company at the end of the year will provide the Company with adequate funding to cover its budget for the next twelve months for operating and general administrative expenses, to meet its short-term obligations, and to balance its planned exploration budget. However, the Company will need to periodically obtain new funds to continue as a going concern and meet its obligations. The Company's ability to continue as a going concern depends on its ability to realize its assets and obtain additional financing. In this regard, the Company began to generate revenues in October 2017 following the acquisition of the Quebec mining assets of Richmont Mines. However, it has not yet succeeded in producing profitable results and must use its available cash to maintain the operation of these assets. As a result, on August 30, 2018, the Company decided to temporarily suspend the activities of the Beaufor mine and place it on care and maintenance, as of December 2018. Although it has been able to raise funds in the past, there is no assurance that the Company will be able to do so in the future and there is no assurance that these sources of financing and initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

As at June 30, 2018, the Company's current financial liabilities totalled $10,353,401 and the Company had enough funds to meet them. At the same date, the Company had $10,585,767, in cash and cash equivalents not reserved for exploration, or for the design and construction of the power line on the Croinor property ($2,989,534 as at June 30, 2017). The total working capital (excluding funds reserved for exploration, design and construction of the Croinor property power line, the liability related to flow-through shares and deferred revenue) of $3,860,033 will be used to meet its future financial liabilities from its commitments, mainly related to the Beacon property acquisition, McKenzie Break and Swanson properties acquisition and Croinor property development and its operational activities at the Beaufor mine and Camflo mill. As at June 30, 2018, the Company had $4,281,153, ($3,971,840 as at June 30, 2017) of funds reserved for exploration, $179,328 for the design and construction of the power line on the Croinor property ($394,781 as at June 30, 2017) and $545,000 in trust.

Despite its positive working capital and its positive cash situation as at June 30, 2018, the Company realized a net loss of $4,776,851 for the year ended June 30, 2018 ($2,281,190 in 2017) and was unable, at this date, to generate positive operational cash flows.

These consolidated audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on a going concern basis. 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 audited financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the going concern assumption proves to be unfounded.

BUSINESS COMBINATION

On October 2, 2017, the Company acquired all the mining assets of Richmont Mines Inc. ("Richmont") in Quebec. The assets acquired include all of Richmont's claims, mining leases and mining concessions, including the Beaufor mine, the Chimo, Monique and Wasamac properties and all the issued and outstanding shares of Camflo Mill Inc. and Louvem Mines Inc., as well as all plants, mills, buildings, structures, equipment, inventory and property.

In exchange, the Company issued 34,633,203 shares, representing 19.9% of its issued and outstanding common shares on an undiluted basis, having a market value of $12,121,621. The transaction includes environmental obligations of $6,842,373 for the Beaufor mine, Camflo mill and Monique mine restoration plans, should these facilities close in the future.

Lastly, the Company will pay Richmont royalties on the following NSRs:

- 1.5% for the Wasamac property with an option to purchase 0.5% of the royalty for $7.5 million;
- 1.0% on claims owned by Richmont in the Camflo property;
- 1.0% for the Beaufor property after the Company has produced 100,000 ounces of gold, following the closing of the transaction.

A business combination is defined in IFRS 3, Business Combinations, as a transaction in which an acquirer obtains control of a business, which is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors. For an integrated set of activities and assets to be considered as a business, the set must include inputs and processes. The acquisition of Richmont's Quebec assets meets the definition of a business combination. Consequently, the transaction was accounted for as a business combination in which Monarques is the acquirer.

The assets acquired and liabilities assumed were recognized at their provisional estimated fair value at the acquisition closing date, i.e. October 2, 2017. Acquisition-related transaction costs in the amount of $402,424 were expensed in the consolidated statement of net loss and comprehensive loss.

On October 2, 2017, Richmont and the Company agreed to transfer $600,000 into a trust account for a 30-month period for future payment of severance payments for employees transferred upon the acquisition of Richmont's Quebec mining assets. Of this amount, $55,000 had been used on June 30, 2018.

The following table shows the purchase price allocation between the assets acquired and liabilities assumed, based on the fair value of the total consideration at the transaction closing date. The fair value was estimated based on market participant information that management considered reasonable for assessment purposes and on other factors such as current asset conditions:

	$
Fair value of consideration paid:	
Common shares issued	12,121,621
Fair value of net assets acquired:	
Cash	1,041,106
Other current assets	4,789,070
Assets held for sale	600,000
Property, plant and equipment, including Beaufor mining property	5,500,000
Mining properties under exploration	14,463,252
Current liabilities	(3,148,302)
Asset retirement obligations assumed	(6,842,373)
Finance leases	(1,059,756)
Deferred income and mining taxes	(3,221,376)
	12,121,621

For the year ended June 30, 2018, revenue from the business combination included in the statement of net income was $30,125,421, and the net loss was $1,724,583.

KEY FINANCIAL DATA

(in dollars except per-share data)	YEAR ENDED JUNE 30, 2018	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
Revenue	30,125,421	–	–
Cost of sales	28,684,634	–	–
Gross margin	1,440,787	–	–
Administrative expenses	5,431,538	2,362,595	742,208
Beaufor exploration expenses	1,098,900	–	–
Net loss	4,776,851	2,281,190	848,608
Cash flows from operating activities	(2,310,413)	(2,163,498)	(479,245)
Cash flows from financing activities	20,377,670	9,509,871	4,939,858
Cash flows from investing activities	(10,377,164)	(4,696,695)	(1,132,784)
EBITDA (1)	(2,533,882)	(1,522,426)	(555,259)
Key per-share data			
Basic and diluted net loss	0.024	0.017	0.010

RECONCILIATION OF NET LOSS TO EBITDA

(in dollars)	YEAR ENDED JUNE 30, 2018	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
Net loss	(4,776,851)	(2,281,190)	(848,608)
Income and mining taxes	481,772	733,507	289,371
Finance expense	236,287	25,257	3,978
Amortization	1,524,910	–	–
EBITDA (1)	(2,533,882)	(1,522,426)	(555,259)

(1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another company. The Company uses this non-IFRS measure as an indicator of the cash generated by the operations and allows investors to compare the profitability of the Company with others by cancelling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures. See the "Non-IFRS Measures" section of this MD&A.

(in dollars)	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016
Cash and cash equivalents	15,046,248	7,356,155	4,706,477
Total assets	73,665,169	26,657,724	11,241,107
Non-current liabilities	19,645,247	7,712,953	1,560,236
Shareholders' equity	40,782,313	16,914,079	9,452,054

KEY OPERATING STATISTICS

	YEAR ENDED JUNE 30, 2018	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
Ounces of gold sold	14,856	–	–
Ounces of gold produced	15,071	–	–
Grade	4,82	–	–
Recovery	98,76	–	–
Key data per ounce of gold (CA$)			
Average market price	1,665	–	–
Average selling price (1)	1,610	–	–
Production cash costs (2)	1,532	–	–
All-in sustaining costs (Beaufor/Camflo)	1,770	–	–
Average exchange rate (CA$/US$)	1,27	–	–
Key data per ounce of gold (US$)			
Average market price	1,311	–	–
Average selling price (1)	1,268	–	–
Production cash costs (2)	1,206	–	–
All-in sustaining costs (Beaufor/Camflo)	1,394	–	–

(1) Average selling prices for the year are expected to be $28 higher if gold deliveries (2,583 ounces for the quarter) to Auramet in regard to the deferred revenues during the year had been accounted for at the market price on the date the agreement was closed on October 2, 2017 instead of the recorded price representing amounts received from future gold production divided by the ounces to be delivered.

(2) Production cash costs is a non-IFRS financial performance measure with no standard definition under IFRS. This measure may therefore not be comparable with a similar measure presented by another company. See the “Non-IFRS Measures” section of this MD&A.

Although the consolidated financial statements of Monarques are reported in Canadian dollars (“CA$” or “$”), the Company also discloses financial and operating statistics in U.S. dollars. On a quarterly basis, the CA$ to US$ exchange rate is adjusted to reflect the actual quarterly rate and year-to-date rate as at the end of each quarter.

REVIEW OF FINANCIAL RESULTS

Year ended June 30, 2018

For fiscal 2018, the Beaufor mine produced 15,071 ounces of gold.

Revenue recorded for the year ended June 30, 2018 stood at $30.1 million compared to $nil in fiscal 2017. This increase is due to the Company’s acquisition of Richmont Mines’ assets in Quebec. A total of 14,856 ounces of gold were sold during the year at an average realized price of $1,610 (US$1,268) per ounce, plus custom milling revenue.

Cost of sales, including depreciation, totalled $28.7 million, compared with $nil for fiscal 2017. This increase is due to the Company’s acquisition of Richmont Mines’ assets in Quebec.

Production cash costs of $1,532 (US$1,206) per ounce are significantly down from the costs of $1,929 (US$1,540) per ounce posted by Richmont Mines (excerpt from Richmont Mines Inc.’s MD&A for the third quarter ended September 30, 2017, dated November 7, 2017) in the quarter prior to the acquisition by Monarques, primarily due to the drop-in unit milling costs arising from the higher number of tonnes custom-milled at the Camflo mill, which had a positive impact on unit costs, as well as the smaller administrative structure supporting operations.

All-in sustaining costs (AISC) stood at $1,770 (US$1,394). Including corporate general and administrative expenses of $2,992,085, less the $402,424 adjustment for standardized costs, brings these costs to $1,944 (US$1,531).

General and administrative expenses amounted to $5.4 million for the year ended June 30, 2018, compared with $2.4 million for the previous year, primarily due to additional administrative activities arising from the acquisition of Richmont Mines' assets in Quebec and higher consulting and professional fees related to this transaction.

Exploration expenses amounted to $1.1 million for the year ended June 30, 2018, compared with $nil for the previous year. These expenses are related to exploration activities at the Beaufor mine.

As per the agreement with Auramet International LLC ("Auramet"), the Company is required to hedge some of its future gold production. The Company entered into forwards and participating forward contracts, which are considered as normal sales under IFRS. The Company also purchased call and put options amounting to $117,875 and is committed to 2,500 put options under the agreement with Auramet. These contracts are accounted for at fair value. The mark to mark of these contracts resulted in a loss of $127,057 over fiscal 2018 (including the $117,875 disbursement).

Finance expense stood at $236,287, up $211,030 from fiscal 2017. The increase is primarily due to interest related to asset retirement obligations acquired during the year.

The Company recognized a foreign exchange gain of $28,250 related to changes in the Canadian dollar versus the U.S. dollar at the balance sheet dates. The purchase price balance denominated in U.S. dollars is primarily subject to currency fluctuations.

The Company recorded income related to flow-through shares of $1,034,825 in the twelve-month period ended June 30, 2018, compared to $698,173 in the previous year.

For the year ended June 30, 2018, deferred income taxes and mining taxes expenses totalled $481,772, compared to an expense of $733,507 for fiscal 2017. Future income and mining taxes liabilities amounting to $3,680,909 were accounted for in the business acquisition. The Company had income and mining taxes assets available and recognized of $869,000 in the statement of loss and $835,688 in the statement of change in equity.

The Company reported a net loss of $4.8 million or $0.024 per basic and diluted share for the twelve-month period ended June 30, 2018, compared to a net loss of $2.3 million or $0.017 per basic and diluted share for the corresponding period of fiscal 2017.

EBITDA for the quarter was ($2.5 million) for the twelve-month period ended June 30, 2018, as compared to ($1.5 million) for fiscal 2017. EBITDA of ($1.1 million) for the last quarter of 2018 accounted for most of the difference. This result reflected a weak gold price and lower than expected grade.

REVIEW OF PRODUCTION OPERATIONS

The Camflo mill processed 98,394 tonnes of ore from the Beaufor mine during the year ended June 30, 2018. Average grade milled was 4.82 g/t of gold for the year, lower than forecasted for the year due to a higher dilution factor from a stope in Zone Q, and a higher than expected proportion of low-grade ore development.

Production at Beaufor mine will be temporarily suspended as of December 2018. The suspension is primarily due to the low grades of the ore mined at Beaufor in recent quarters, combined with a persistently weak gold price and difficulties recruiting qualified manpower in the region. As a result, the mine's workforce will be cut to around ten employees who will be assigned to care and maintenance of the mine and its facilities.

Camflo Mill

The Company has entered into a custom milling contract with Nottaway Resources Inc. to process ore from the Vezza mine at the Camflo mill. The contract covers as least 15,000 tonnes of ore per month, for at least 180,000 tonnes in calendar year 2018. This contract, in addition to other custom milling contracts and ore from the Beaufor mine, will allow the Company to operate the Camflo mill at full capacity until December 31, 2018. The Company is currently negotiating the renewal of custom milling contracts for 2019.

Impairment of non-financial assets

Due to higher than expected losses generated by the assets related to the acquisition of Richmont Mines Inc.`s mining assets in Quebec and the budgets revised by management for fiscal 2019, the Company concluded that all of these assets had to be tested for impairment. The acquired assets are divided into two CGUs: one CGU related to the Beaufor mining property and its associated buildings and equipment ("Beaufor CGU") with a total net carrying amount of $3,590,587 as at June 30, 2018, and another CGU related to the Camflo Inc. mill and its associated equipment ("Camflo CGU") with a net carrying amount of $2,606,497 as at June 30, 2018. It was determined that the Camflo CGU was able to generate cash flows independent of the Beaufor CGU since it carries out gold ore processing operations for other mines.

The measurement bases used to determine the recoverable amounts are fair value less costs of disposal for the Beaufor CGU and value in use for the Camflo CGU.

Based on these measurements, the Company concluded that the recoverable amounts of the two CGUs were higher than their carrying amounts as at June 30, 2018. As a result, no impairment was recognized.

As at June 30, 2018, the Company also determined that there were no material events or changes in circumstances indicating that the carrying amount of its other non-current assets may not be recoverable. As such, no other impairment losses were recognized during the year ended June 30, 2018 (nil in 2017).

The recoverable amount of the Beaufor CGU was determined using external valuations to estimate the fair value of assets based on market price available based on a recent purchase, while the recoverable amount of the Camflo CGU was determined using estimated future cash flow projections discounted at an effective interest rate of 20% that reflects current market assessments of the time value of money and the risks specific to these assets.

The assumptions used above for the external asset valuations, and estimated future cash flows, are based on management's best estimates as at June 30, 2018 and may change significantly in the future, based on potential changes in the gold industry such as the price of gold and currency fluctuations between the Canadian and US dollars, interest rates and any other event beyond management's control that may affect the global economy. The estimated recoverable amounts may therefore differ significantly from actual future recoverable amounts.

REVIEW OF EXPLORATION AND EVALUATION OPERATIONS

(in dollars)	YEAR ENDED JUNE 30, 2018	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
Exploration and evaluation expenses			
Beaufor Mine	2,002,392	–	–
Croinor Gold	2,944,114	2,792,761	763,359
Wasamac	497,601	–	–
McKenzie Break	170,571	–	–
Swanson	116,233	–	–
Simkar	53,490	230,452	47,548
Regcourt Gold	4,461	–	–
Exploration and project evaluation	5,788,862	3,024,213	810,907
Capitalized exploration and evaluation expenses	3,786,470	3,024,213	810,907
Exploration and evaluation expenses	2,002,392	–	–

Wasamac

The Company retained BBA to conduct a feasibility study on its Wasamac gold project. The study will cover the assessment, design, engineering and costing of the mine, mill, tailings management facility and all related services and infrastructure needed to develop and mine the Wasamac deposit. This new feasibility study will be based on an upgraded measured and indicated resource of 2,587,900 ounces of gold as stipulate in the NI 43-101 report dated October 25, 2018.

Monarques is taking a different approach to the project than Wasamac's previous owner. The Corporation will harness the latest technology and use a top-down rather than a bottom-up mining method in its attempt to put the Wasamac deposit into production at the best possible cost. Furthermore, the Corporation will use twin ramps and the Rail-Veyor system to haul the mineralized material underground close to the railway. The Rail-Veyor system is a promising new technology currently in use at Agnico Eagle's Goldex project in Val-d'Or which will eliminate the significant capital expenditures associated with building a shaft.

The study also assumes a production rate of 6,000 tonnes per day. In addition, the land acquired for the mill and tailings facility provides major advantages as it lies alongside the Ontario Northland railway track, on the other side of the Trans-Canada Highway, farther away from the local communities.

McKenzie Break

A 10,950-metre diamond drilling program was started on the McKenzie Break property in September 2018. The program should be completed by the end of calendar year 2018.

McKenzie Break is a high-grade, multiple narrow-vein gold deposit located in the dioritic Pascalis batholith and covered with porphyritic diorite and malfic and feisic volcanic rock. On June 14, 2018, the Company reported an NI 43-101 pit-constrained resource of 48,133 ounces in the indicated category and 14,897 ounces in the inferred category on the property, as well as an underground resource of 53,448 ounces in the indicated category and 49,130 ounces in the inferred category, for a total of 165,608 ounces of gold.

Swanson

On August 3, 2018, the Company reported an NI 43-101 pit-constrained resource of 98,100 ounces in the indicated category on the property, as well as an underground resource of 5,900 ounces in the indicated category, for a total of 104,100 ounces of gold.

Beaufor Mine

In fiscal 2018, the Company performed exploration drilling and definition drilling (included in cost of sales). Drilling was concentrated in the lateral extension and parallel zones of Zone Q, as well as in the southern part of the Beaufor zone and the western and eastern extensions of the former Perron Mine.

The program at the Beaufor mine consisted of 14,000 metres of definition drilling and 16,000 metres of exploration drilling. The program was designed to follow up on the strong, high-grade results of the last drilling program, which returned intersections of 61.48 g/t Au over 3.9 metres, 39.05 g/t Au over 1.8 metres and 15.44 g/t Au over 3.0 metres in the Zone Q sector, as well as 12.33 g/t Au over 1.6 metre and 14.25 g/t Au over 0.5 metre in the Zone 1700 sector.

The goal of this program was to continue testing the vein in the deposit extensions and at depth in order to increase the Beaufor mine mineral resource. The main drill targets for the program were in the following sectors: Zone Q, Zone 1700, Zone 173, the western shear and the Beaufor fault at depth. Expectations for these targets are high based on the latest in-house interpretations and compilations.

The Company is in the process of compiling data from the drilling results.

Croinor Gold

The Company completed the 20,000-metre drilling program in early calendar year 2018. Additional drilling work over 8,300 metres on the Croinor Gold property has been underway since the summer of 2018.

The latest drilling program on Croinor Gold enabled Monarques to increase the size of the deposit, which remains open along strike and at depth. The program returned numerous intersections with high-grade gold over good widths, such as 8.24 g/t Au over 9.0 metres, including 26.38 g/t Au over 2.6 metres in Hole CR-18-606, located 328 metres underground, showing that the deposit is still open at depth; 35.90 g/t Au over 1.0 metres in Hole CR-18-612; 43.25 g/t AU over 2.1 metres including 88.60 g/t AU over 1.0 metre in Hole CR-180636; and 25.92 g/t AU over 3.4 metres in Hole CR-18-647.

The objectives of the 2018 20,000-metre program were achieved, with positive results showing that the deposit remains open at depth and to the east, and extended the deposit to the west. Infill drilling near the planned work sites increased the tonnage and, in some places, the grade of the sites.

SELECTED QUARTERLY FINANCIAL INFORMATION

Selected quarterly financial information for the last eight quarters is presented below:

THREE-MONTH PERIODS ENDED: (in dollars)	JUNE 30, 2018	MARCH 31, 2018	DECEMBER 31, 2017	SEPTEMBER 30, 2017
Revenue	10,007,386	9,820,111	10,297,924	–
Cost of sales	9,836,537	10,006,660	8,841,437	–
Gross margin	170,849	(186,549)	1,456,487	–
Net income (net loss)	(2,782,100)	(2,162,588)	665,591	(497,754)
Basic and diluted net income (net loss) per share	(0,014)	(0,010)	0,003	(0,003)
EBITDA	(1,084,003)	(1,568,630)	461,875	(343,124)
Cash and cash equivalents	15,046,248	18,092,189	17,583,194	5,705,285
Working capital	6,928,023	11,964,682	9,568,085	4,319,231
Total assets	73,665,169	74,532,735	73,337,655	26,668,885
Operating activities	(534,542)	(3,366,968)	2,507,554	(916,457)
Financing activities	(59,421)	4,932,605	15,464,503	39,983
Investing activities	(2,451,978)	(1,056,642)	(6,094,148)	(774,396)

THREE-MONTH PERIODS ENDED: (in dollars)	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross margin	–	–	–	–
Net loss	(571,284)	(696,084)	(540,413)	(473,409)
Basic and diluted net loss per share	(0,004)	(0,005)	(0,004)	(0,004)
EBITDA	(158,117)	(594,940)	(395,385)	(399,240)
Cash and cash equivalents	7,356,155	9,517,947	5,406,826	6,760,962
Working capital	5,798,654	7,563,617	4,943,004	5,883,182
Total assets	26,657,724	27,078,316	22,132,588	14,624,146
Operating activities	(560,596)	(622,739)	(649,884)	(330,279)
Financing activities	30,050	5,255,018	1,633,913	2,590,890
Investing activities	(1,631,246)	(521,158)	(2,338,165)	(206,126)

Fourth quarter ended June 30, 2018

Production at the Beaufor mine stood at 4,695 ounces of gold in the fourth quarter, down 5% from 4,932 ounces produced in the previous quarter.

Fourth-quarter revenue amounted to $10.0 million, compared to nil for the same quarter of 2017. The increase resulted from the Company's acquisition of Richmont's Quebec assets. A total of 4,589 ounces of gold were sold during the quarter, at an average realized price of $1,617 (US$1,273) per ounce. Revenue has been relatively stable in recent quarters.

Cost of sales, including depreciation, totalled $9.8 million, compared with nil for the same quarter of 2017. Several equipment failures in the last two quarters required maintenance and repairs, which significantly increased the cost of sales compared to the second quarter of the year ended December 31, 2017.

Production cash costs of $1,609 (US$1,267) per ounce of gold in the fourth quarter were substantially down from $1,642 (US$1,298) per ounce in the previous quarter, mainly due to lower maintenance costs given the more significant equipment failures in the third quarter.

All-in sustaining costs (AISC) stood at $2,005 (US$1,579) for the fourth quarter compared to $1,980 (US$1,565) per ounce in the previous quarter. AISC increased at the Beaufor mine mainly due to higher sustaining costs.

General and administrative expenses amounted to $1.7 million in the fourth quarter compared to $0.8 million in the corresponding prior-year quarter, primarily due to additional administrative activities related to the management of assets acquired from Richmont Mines in Quebec.

Operating costs stood at $0.4 million in the fourth quarter, compared to nil for the corresponding prior-year quarter. These costs are related to exploration activities at the Beaufor mine.

The Company recorded a net loss of $2.8 million, or $0.014 per basic and diluted share, in the fourth quarter of 2018, compared to a net loss of $0.6 million, or $0.004 per basic and diluted share, for the fourth quarter of 2017.

EBITDA for the quarter was ($1.1 million), as compared to ($0.2 million) for the same quarter of fiscal 2017. The decrease in EBITDA is mainly due to operating losses incurred during the quarter on the assets acquired from Richmont Mines and additional administrative expenses for operational management.

FINANCIAL POSITION

(in dollars)	AS AT JUNE 30, 2018	AS AT JUNE 30, 2017	EXPLANATIONS FOR THESE CHANGES
Current assets	20,165,632	7,829,346	Current assets increased primarily due to financings completed and items of working capital acquired during the year.
Non-current assets	53,499,537	18,828,378	Non-current assets increased primarily due to the acquisition of Richmont's Quebec assets, the acquisition of the McKenzie Break and Swanson properties and exploration realized in the year.
Total assets	73,665,169	26,657,724	
Current liabilities	13,237,609	2,030,692	Current liabilities increased primarily due to deferred revenue completed and Richmont's Quebec assets items of working capital acquired during the year.
Non-current liabilities	19,645,247	7,712,953	Non-current liabilities increased primarily due to the balance of purchase price payable resulting from the acquisition of the McKenzie Break and Swanson properties, and the assets retirement obligations related to the acquisition of Richmont's Quebec assets.
Total liabilities	32,882,856	9,743,645	
Shareholders' equity	40,782,313	16,914,079	Shareholders' equity increased primarily due to shares issued during the year related to financings, acquisition of businesses and assets, and exercise of warrants and options.

LIQUIDITY AND SOURCES OF FINANCING

The Company's strategy is based on achieving positive cash flows from operations to internally fund operating, capital and project development requirements. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the success or failure of the Company's operations, exploration, and development programs, the ability to obtain equity or other sources of financing.

As at June 30, 2018, the Company had cash and cash equivalents of $15.0 million, compared to $7.4 million as at June 30, 2017. Of this amount, $4.3 million is reserved for exploration expenses and $0.2 million is reserved for the design and construction of the Croinor Gold property power line.

Financing sources

The financing sources for the last eight quarters and as the date of this MD&A are listed in the following table:

DATE	TYPE	SECURITIES	AMOUNT ($)	USE OF FUNDS
March 12, 2018	Non-brokered private placement	Common shares	5,000,000	General and administrative expenses and working capital. The funds have not yet been used.
December 7, 2017	Non-brokered private placement	Flow-through shares	1,819,999	Exploration work on the properties owned by the Company. The funds have not yet been used.
November 17, 2017	Non-brokered private placement	Flow-through shares	1,549,013	Exploration work on the properties owned by the Company. The funds have not yet been used.
September 11, 2017	Non-brokered private placement	Common shares	6,525,251	General and administrative expenses and working capital. A portion of the funds was used for the acquisition of Richmont's Quebec assets.
March 8, 2017	Brokered private placement	Common shares	1,815,535	General and administrative expenses and working capital. The funds were used for the Company's operating and investing activities.
		Flow-through shares	3,325,080	A portion of the funds was used for exploration work on the properties owned by the Company.
December 16 and 23, 2016	Brokered private placement	Flow-through shares	1,533,745	The funds were dedicated to exploration work on the properties owned by the Company.
July 7, 2016	Brokered private placement	Flow-through shares	2,082,500	The funds were dedicated to exploration work on the properties owned by the Company.
May 26, 2016	Brokered private placement	Common shares	3,000,001	General and administrative expenses and working capital.

CASH FLOWS

(in dollars)	YEAR ENDED JUNE 30, 2018	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
Net cash position from (used in)	(2,310,413)	(2,163,498)	(479,245)
Operating activities	20,377,670	9,509,871	4,939,858
Financing activities	(10,377,164)	(4,696,695)	(1,132,784)
Investing activities			
Increase in cash and cash equivalents	7,690,093	2,649,678	3,327,829
Cash and cash equivalents, beginning of year	7,356,155	4,706,477	1,378,648
Cash and cash equivalents, end of year	15,046,248	7,356,155	4,706,477

Operating activities

Operating cash flows during the year ended June 30, 2018 were negatively impacted by the loss of profitability. Operating cash flows, including changes in non-cash working capital items, used $2.3 million, while operating activities used in $2.2 million for fiscal 2017.

For fiscal 2018, operating cash flows were positively impacted by changes in non-cash working capital of the assets acquired from Richmont to offset the use of funds from administrative activities and operating losses.

Financing activities

Financing cash flows for the twelve-month period ended June 30, 2018 totalled $20.4 million, including $11.5 million from the issuance of shares, $3,4 million from the issuance of flow-through shares, $5.0 million deferred revenue, $1.2 million from the exercise of warrants and options, partially offset by an amount of $0.3 million for the repayment of a finance lease and $0.4 million for share issuance costs.

The following table shows the Company's financial liabilities and other obligations based on the contractual maturities, including any interest, as at June 30, 2018:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	$	$	$	$	$
Trade and other payables	**8,492,478**	**8,492,478**	**8,492,478**	**–**	**–**
Derivative financial instruments	**9,182**	**9,182**	**8,182**		
Purchase price balances payable	**5,063,542**	**6,138,879**	**1,316,300**	**1,944,924**	**2,878,655**
Finance leases	**767,448**	**805,078**	**435,817**	**353,516**	**15,745**
	14,332,650	**15,445,617**	**10,253,777**	**2,298,440**	**2,894,400**

Investing activities

Cash flows from investing activities were $10.4 million, including $5.0 million in mine and mill infrastructure security deposits to Quebec's Ministry of Energy and Natural Resources; $2.9 million for the acquisition of property, plant and equipment; $1 million received as part of the transaction with Richmont; and $0.6 million held in trust for the purposes of the transaction with Richmont. The Company received $600,000 from the sale of properties. Exploration and evaluation expenses were $3.2 million.

OUTSTANDING SHARE CAPITAL

The following table sets out the common shares, stock options, warrants and warrants to brokers of the Company that are outstanding as at the date of this MD&A:

	AS AT OCTOBER 23, 2018
Common shares	233,052,967
Share purchase options (average exercise price: $0.24)	9,870,000
Warrants (average exercise price: $0.41)	23,099,541
Warrants to brokers (average exercise price: $0.45)	981,468

RELATED PARTY TRANSACTIONS AND COMMERCIAL OBJECTIVES

During the year ended June 30, 2018, the Company incurred the following expenses with executive officers of the Company. The transactions were entered into in the normal course of business and are measured at the exchange amount, which is the amount agreed between the parties.

(in dollars)	YEAR ENDED JUNE 30, 2018	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
Wages, directors' fees, bonuses and fringe benefits	911,697	319,750	243,373
Defined contribution plan	8,977	–	–
Government plans	43,918	8,258	–
Share-based payments	78,143	277,345	51,514
Professional fees	19,220	14,819	–
	1,061,955	**620,172**	**294,887**

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.

OFF-BALANCE SHEET AGREEMENTS

The Company does not have any off-balance sheet agreements.

COMMITMENTS AND CONTINGENCIES

The Company had the following commitments as at June 30, 2018:

A) ROYALTIES

PROPERTIES	NET SMELTER RETURN (NSR) ROYALTIES
Beaufor	1.0% payable after the Company has produced 100,000 ounces of gold
Belcourt	1.5% (0.5% redeemable for $1 million)
Camflo NO	1.0%
Croinor Gold	1.5%
McKenzie Break	1.5% (0.5% redeemable for $750,000)
Regcourt Gold	1.0% on certain mining claims (redeemable for $1 million)
	1.5% (0.5% redeemable for $1 million)
Swanson	1.5% (0.5% redeemable for $750,000)
Simkar Gold	1.5% (0.5% redeemable for $1 million, except on 11 claims)
Wasamac	1.5% (0.5% redeemable for $7.5 million)

B) FLOW-THROUGH SHARES

The Company has committed to disburse eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Quebec *Taxation Act*, of $2,082,500 by December 31, 2017, and to transfer the tax deductions related to these expenditures to the subscribers to the flow-through investment completed on July 7, 2016. In relation to this commitment, the Company had incurred a cumulative amount of $2,082,500 in eligible expenses as at June 30, 2018, and had no funds reserved for exploration and evaluation related to this commitment.

The Company has committed to disburse eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Quebec *Taxation Act*, of $1,533,745 by December 31, 2017, and to transfer the tax deductions related to these expenditures to the subscribers to the flow-through investments completed on December 16 and 23, 2016. In relation to this commitment, the Company had incurred a cumulative amount of $1,533,745 in eligible expenses as at June 30, 2018, and had no funds reserved for exploration and evaluation related to this commitment.

The Company has committed to disburse eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Quebec *Taxation Act*, of $3,325,080 by December 31, 2018, and to transfer the tax deductions related to these expenditures to the subscribers to the flow-through investments completed on March 8, 2017. In relation to this commitment, the Company had incurred a cumulative amount of $2,412,939 in eligible expenses as at June 30, 2018, and had $912,141 in funds reserved for exploration and evaluation.

The Company has committed to disburse eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Quebec *Taxation Act*, of $3,369,012 by December 31, 2018, and to transfer the related tax deductions to the subscribers of the flow-through share investment completed on November 16, 2017 and December 7, 2017. In relation to this commitment, the Company had not incurred eligible expenses as at June 30, 2018, and had $3,369,012 in funds reserved for exploration and evaluation.

C) LEASE

The Company rents office space for a monthly amount of $3,067 until June 30, 2022. As at June 30, 2018, the total contractual payments remaining until June 30, 2022, assuming the lease will not be terminated before the end of the term, amounted to $147,216.

D) GRANT

The Company is also committed to incur capital expenditures totalling $3,650,000, related to the design and construction of the power line of the Croinor Gold property pursuant to the governmental grant agreement. The grant will total $2,737,500 once fully received. As at June 30, 2018, $684,375 of the government grant had been received and capital expenditures of $673,396 had been incurred.

GOLD COMMODITY PRICES

The Company's income is directly related to commodity prices as revenues are derived primarily from the sale of gold. For its gold production, the Company may reduce its risk of a decrease in the price of gold through the occasional use of forward sales contracts and put and call options. The risk related to the price of gold is new since October 2, 2017, subsequent to the acquisition completed on that date.

The Company recognizes all derivative instruments at fair value, except for certain derivative instruments eligible for the exception for purchases and sales in the normal course of business.

As at June 30, 2018, the Company had outstanding derivative contracts for gold production as follows:

	JUNE 30, 2018			
EXPIRATION	**CALL OPTIONS**		**FORWARD CONTRACTS**	
	(ounces)	($)	(ounces)	($)
August 2018	1,875	1,689	(625)	1,688
August 2018	(2,500)	1,700	–	–
Balance as at June 30, 2018	(625)		(625)	

The fair value of these derivative instruments is an estimate of the amounts the Company would receive or would have to pay to terminate the outstanding contractual obligations at the reporting date. The fair value of these contracts non-eligible for the exception for purchases and sales in the normal course of business as at June 30, 2018 was negative by $9,182 ($nil as at June 30, 2017). The fair value of forward contracts is marked against the spot price of gold on the valuation date and then adjusted for any forward premiums or discounts that may exist in the Canadian dollar and gold market. The fair value of option positions is valued using the Black-Scholes model adjusted for counterparty credit risk. Model inputs are based on market conditions on the valuation date using mid-market rates (midpoint of bid and ask spreads).

The Company recognizes all derivative instruments at fair value, except for certain derivative instruments eligible for the exception for purchases and sales in the normal course of business.

NON-IFRS FINANCIAL MEASURES

Throughout this document, the Company has provided measures prepared according to IFRS as well as some non-IFRS financial performance measures. Because the non-IFRS performance measures do not have any standardized definition prescribed by IFRS, they may not be comparable to similar measures presented by other companies. The Company provides these non-IFRS financial performance measures as they may be used by some investors to evaluate our financial performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS financial performance measures were reconciled to reported IFRS measures within the document (Refer to the section Selected quarterly financial information for the description and reconciliation of those non-IFRS measures).

RECONCILIATION OF COST OF SALES TO PRODUCTION CASH COSTS AND TO ALL-IN SUSTAINING COSTS PER OUNCE SOLD

QUARTER ENDED JUNE 30, 2018 (in dollars, except for per ounce data)	BEAUFOR/CAMFLO	CORPORATE	CONSOLIDATED
Ounces of gold sold	**4,589**	**–**	**4,589**
Cost of sales	9,836,537	–	9,836,537
Corporate general and administrative costs	657,755	–	657,755
Depreciation	(507,154)	–	(507,154)
Custom milling contracts revenue	(2,586,978)	–	(2,586,978)
By-product credits	(14,746)	–	(14,746)
Cost of sales, net of depreciation, other revenue and by-product credits	7,385,414	–	7,385,414
Production cash costs ($/ounce)	1,609	–	1,609
Sustaining costs	1,815,656	–	1,815,656
Corporate general and administrative costs	–	1,027,030	1,027,030
All-in sustaining costs	9,201,070	1,027,030,	10,228,100
All-in sustaining costs ($/ounce)	**2,005**	**224**	**2,229**

PERIOD FROM OCTOBER 2, 2017 TO JUNE 30, 2018 (in dollars, except for per ounce data)	BEAUFOR/CAMFLO	CORPORATE	CONSOLIDATED
Ounces of gold sold	**14,856**	**–**	**14,856**
Cost of sales	28,684,634	–	28,684,634
Corporate general and administrative costs	1,849,990	–	1,849,990
Depreciation	(1,501,567)	–	(1,501,567)
Custom milling contracts revenue	(6,211,854)	–	(6,211,854)
By-product credits	(55,706)	–	(55,706)
Cost of sales, net of depreciation, other revenue and by-product credits	22,765,497	**–**	**22,765,497**
Production cash costs ($/ounce)	1,532	**–**	**1,532**
Sustaining costs	3,529,711	–	3,529,711
Corporate general and administrative costs	–	2,992,085	2,992,085
Adjustment for standardized costs	–	(402,424)	(402,424)
All-in sustaining costs	26,295,208	**2,589,661**	**28,884,869**
All-in sustaining costs ($/ounce)	**1,770**	**201**	**1,944**

Production cash costs include mining site operating costs such as mining, processing, administration, royalties, production taxes, excluding depreciation, restoration, capital expenditures, and exploration and evaluation costs. These costs are then divided by ounces of gold attributed to commercial production from the Company's mining sites to obtain the total cash costs per ounce sold. The measure, as well as revenues, are considered one of the key indicators of a company's ability to generate operating profits and cash flows from its mining activities. Production cash costs do not have a standardized meaning prescribed by IFRS, may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of net income or cash flows from operating activities as determined under IFRS.

The Company considers that, while it is relevant, the current measure of all-in sustaining costs commonly used in the gold industry does not take sustaining costs into account, and therefore does not present a comprehensive view of its operational performance or ability to generate cash flows from its current operations. All-in sustaining costs ("AISC”) start with production cash costs and include maintenance capital expenditures, exploration and evaluation expenses, and general and administrative expenses. Underground mine development costs related to production areas, ongoing replacement of mining equipment and spare parts, mine tailings and other facilities, capitalized contaminated site production costs and other capital expenditures are classified as sustaining capital.

This measure is intended to represent the cost of selling gold from current operations and therefore does not include capital expenditures attributable to development projects or mine expansions, exploration expenses, tax payments, working capital defined as current assets (excluding inventory adjustments), items required to normalize earnings, interest expense or dividend payments.

As a result, this measure does not represent all the Company’s cash expenses and is not indicative of the Company’s overall profitability. The calculation of AISC per ounce sold is based on the Company’s interest in the sales of its gold mine. Using an attributable interest presentation is a more equitable way to measure economic performance than using a consolidated basis. The Company presents the AISC per ounce sold measure based on attributable sales, compared to the Company’s current total cash cost presentation, which is based on attributable production. AISC does not have a standardized meaning prescribed by IFRS, is unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. This measure is not necessarily indicative of net loss or cash flows from operating activities as determined under IFRS.

SIGNIFICANT ACCOUNTING POLICIES

There is a full disclosure and description of the Company’s significant accounting policies and changes in accounting policies in notes 3 and 4 of the audited consolidated financial statements for the year ended June 30, 2018.

FINANCIAL INSTRUMENTS

There is a full disclosure and description of the Company’s financial instruments, financial risk management and capital management in notes 26 and 27 of the audited consolidated financial statements for the year ended June 30, 2018.

RISK FACTORS

Property 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 pay the Quebec government a rental per claim for every 2-year renewal period.

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, loans 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, which even a combination of careful evaluation, experience and knowledge may not eliminate. 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.

The economic viability of a mineral deposit depends on many factors, some of which are due to the specific characteristics of the deposit, in particular its size, grade and proximity to infrastructure, as well as fluctuating metal prices, government regulation, royalties, production limits, the import and export of minerals and environmental protection. The impact of these factors cannot be precisely evaluated but may result in the Company not providing an adequate return on the funds invested.

Mining activities comprise a high level of risk. The activities of the Company are subject to all the hazards and risks usually associated with exploration and development, including geological formations, explosions, collapses, floods and other unusual and unforeseen situations which can occur during drilling and removal of ore and which could cause physical, material or environmental damages and, possibly, legal responsibility.

Government regulation

The activities of the Company are subject to various federal, provincial and local laws related to exploration and development, taxes, labour standards, occupational health and safety, mine safety, toxic substances, protection of the environment and other topics. Exploration and development are subject to legislative measures and federal, provincial and local laws on the protection of the environment. These laws impose high standards on the mining industry in order to control waste water discharge and force participants to account for such controls to the lawful authorities, to reduce or eliminate the impact of certain production, extraction and processing activities, which may subsequently lead to ground deposits or airborne or waterborne waste, and to complete mining property restoration work, control hazardous waste and materials and reduce the risk of industrial accidents. Failure to comply with the above-mentioned legislative measures may result in substantial fines and other penalties.

Risks of lawsuits and uninsurable risks

The Company may be held liable for pollution or other risks against which it cannot or may elect not to insure because of the high cost of premiums or for other reasons. The payment of amounts owing in this respect could lead to the loss of the Company's assets.

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 act fairly and in good faith with the Company and these other corporations. Moreover, these directors and officers will declare their interests and refrain from voting on any issue which could give rise to a conflict of interest.

Permits, licences and authorizations

The activities of the Company require it to obtain and maintain permits and licences from various government authorities. The Company considers that it holds all the permits and licences required for its activities; it currently operates in accordance with the relevant laws and regulations. Regulatory changes could affect these permits and licences. There can be no assurance that the Company will be able to obtain all the permits and licences needed to continue its mining activities, build mines or mining facilities and begin developing its exploration properties. Moreover, if the Company begins developing an exploration property, it must obtain the necessary permits and licences and comply with all requirements concerning the use of water, removal of waste etc. There can be no assurance that the Company will be able to obtain these permits and licences, nor that it will be able to comply with their requirements.

Dependence on management

The Company is dependent on certain individuals for 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 from First Nations. However, there can be no assurance that such will not be the case in the future.

Price of metals

The price of the common shares and the financial results of the Company—particularly its exploration and development activities—could be negatively impacted by falling metal prices, which would impact the Company's ability to finance its activities. Metal prices fluctuate considerably and are contingent on various factors beyond the Company's control, such as the sale or the purchase of metals by various brokers, central banks and financial institutions; interest rates; foreign exchange rates; inflation or deflation rates; fluctuations in the value of the Canadian dollar and other currencies; regional and world supply and demand; the economic and political situation of major metal-producing countries worldwide. Metal prices have fluctuated widely in recent years and any serious downward correction could prevent the continuation of development activities on the Company's properties.

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. A refusal 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 owed by such subscriber as a result of the Company's failure to renounce qualifying expenditures as agreed.

Capital allocation

From time to time, the Company may have limited resources available for investment due to insufficient internally generated funds and inaccessibility to capital markets. Accordingly, the Company must make choices among investment opportunities and rank them by attractiveness and risk. There can be no assurance that such investment decisions will yield the intended returns, which may limit future growth, profitability and liquidity.

Project risks

The Company's ability to sustain or increase its present levels of gold production partially depends on the success of its projects. Significant projects planned over the next few years include the Wasamac, Croinor, McKenzie Break and Swanson projects. However, all or some of these projets may not proceed and other projects may arise. The risks and unknowns inherent to projects include but are not limited to: the accuracy of reserve estimates; metallurgical recoveries; geotechnical and other technical assumptions; the capital and other operating costs of such projects; future mineral prices; and scoping of major projects including delays, tight schedules, and unplanned events and conditions. Considerable capital expenditures and time are required to develop new mines or other projects, and changes in costs, market conditions, unplanned events or construction schedules may affect project economics. Actual costs and economic returns may differ materially from the Company's estimates, or the Company could fail to obtain the government approvals required to develop a project, in which case the project may not proceed on schedule or at all. The Company may be unable to develop economically feasible projects at low gold prices. The number of future projects may outweigh the Company's available capital, financial resources and manpower, restricting its ability to carry out multiple major projects concurrently and affecting when such projects can be put into production.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as at 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 SEDAR website www.sedar.com and on our website at www.monarquesgold.com.

GENERAL INFORMATION

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STOCK EXCHANGE

TSX Venture Exchange
Symbol (shares): MQR
OTC Markets
Symbol (shares): MRQRF

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Alain Lévesque, CPA, CA
Chief Financial Officer and Vice-President Finance

Marc-André Lavergne, Eng.
Vice President Operations

Lucie Desjardins, LLB
Director Legal Services and Corporate Secretary

BOARD OF DIRECTORS

Michel Bouchard, Chairman of the Board*
Jean-Marc Lacoste, Director
Michel Baril, Director*
Guy Bourassa, Director
Christian Pichette, Director*
**Member of the audit committee*

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