



**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

THREE-MONTH PERIOD ENDED

SEPTEMBER 30, 2020

**MONARCH GOLD CORPORATION**

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Three-month periods ended September 30, 2020 and 2019

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

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**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

(UNAUDITED)

SEPTEMBER 30, 2020 AND JUNE 30, 2020

	NOTES	SEPTEMBER 30, 2020	JUNE 30, 2020
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		15,809,741	11,274,470
Investments	4	14,825,617	14,939,261
Commodity taxes and other receivables		334,413	259,488
Inventory		1,192,204	1,193,864
Balance of sale		2,000,000	2,000,000
In trust deposits	9	1,822,745	379,065
Prepaid expenses and deposits		518,260	624,351
		<b>36,502,980</b>	<b>30,670,499</b>
<b>NON-CURRENT ASSETS</b>			
Balance of sale		1,374,578	1,360,544
In trust deposits		2,711,763	3,892,006
Property, plant and equipment	5	15,862,509	15,813,077
Mining properties	6	24,019,432	23,678,373
Exploration and evaluation assets	7	17,978,027	17,572,898
		<b>61,946,309</b>	<b>62,316,898</b>
		<b>98,449,289</b>	<b>92,987,397</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,943,533	3,116,492
Current portion of long-term debt	8	832,371	3,712,691
Current portion of other liabilities	12	3,630,485	481,210
		<b>7,406,389</b>	<b>7,310,393</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	8	889,770	2,290,017
Other liabilities		1,387,642	1,343,792
Deferred income taxes and mining taxes		6,848,206	6,823,593
Asset retirement obligations		9,406,894	9,234,311
		<b>18,532,512</b>	<b>19,691,713</b>
		<b>25,938,901</b>	<b>27,002,106</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital and warrants	10	87,959,313	77,899,680
Contributed surplus		2,016,255	2,032,752
Deficit		(17,465,180)	(13,947,141)
		<b>72,510,388</b>	<b>65,985,291</b>
		<b>98,449,289</b>	<b>92,987,397</b>

Reporting entity and nature of operations (Note 1); Commitments (Note 12); Subsequent event (Note 20).

The notes on pages 7 to 18 are an integral part of these consolidated condensed interim financial statements.

On behalf of the Board:

'Jean-Marc Lacoste', Director

'Michel Bouchard', Director

**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF NET EARNINGS (NET LOSS) AND  
COMPREHENSIVE INCOME**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	NOTES	2020	2019
		\$	\$
Revenue		–	3,144,699
Cost of sales		–	(1,558,101)
<b>Gross margin</b>		–	1,586,598
Administration	13	(983,494)	(792,517)
Care and maintenance	14	(653,279)	(596,069)
Exploration		(1,146,864)	–
<b>Operating earnings (loss)</b>		(2,783,637)	198,012
Finance income		137,966	35,390
Finance expense	15	(182,036)	(212,365)
Gain (loss) on foreign exchange		176,027	(50,128)
Change in fair value of investments	4	100,171	866,745
Gain on disposal of non-financial assets		–	314,400
Other income related to flow-through shares		44,285	79,075
<b>Earnings (loss) before taxes</b>		(2,507,224)	1,231,129
Current income taxes		–	(9,727)
Deferred income and mining taxes		(24,613)	(42,468)
		(24,613)	(52,195)
<b>Net earnings (net loss) and comprehensive income (loss)</b>		(2,531,837)	1,178,934
Basic net earnings (net loss) per share	18	(0.009)	0.005
Diluted net earnings (net loss) per share	18	(0.009)	0.005

The notes on pages 7 to 18 are an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(UNAUDITED)  
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
<b>BALANCE AS AT JUNE 30, 2020</b>	<b>77,899,680</b>	<b>2,032,752</b>	<b>(13,947,141)</b>	<b>65,985,291</b>
EQUITY FINANCING				
Issuance of flow-through shares (note 10)	13,001,880	–	–	13,001,880
Premium on flow-through shares (note 10)	(3,193,560)	–	–	(3,193,560)
Share issuance costs	–	–	(986,202)	(986,202)
OPTIONS				
Options granted to employees, officers, directors, consultants or I.R. representatives (note 11)	–	165,465	–	165,465
Options exercised	251,313	(181,962)	–	69,351
NET LOSS FOR THE PERIOD	87,959,313	2,016,255	(14,933,343)	75,042,225
	–	–	(2,531,837)	(2,531,837)
<b>BALANCE AS AT SEPTEMBER 30, 2020</b>	<b>87,959,313</b>	<b>2,016,255</b>	<b>(17,465,180)</b>	<b>72,510,388</b>

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
<b>BALANCE AS AT JUNE 30, 2019</b>	<b>66,892,505</b>	<b>1,711,964</b>	<b>(23,422,666)</b>	<b>45,181,803</b>
EQUITY FINANCINGS				
Issuance of common shares related to the acquisition of mining properties	3,000,000	–	–	3,000,000
Common shares issued and to be issued in connection with the acquisition of mining properties	850,000	–	–	850,000
OPTIONS				
Options granted to employees, officers, directors, consultants or I.R. representatives	–	68,604	–	68,604
NET EARNINGS FOR THE PERIOD	70,742,505	1,780,568	(23,422,666)	49,100,407
	–	–	1,178,934	1,178,934
<b>BALANCE AS AT SEPTEMBER 30, 2019</b>	<b>70,742,505</b>	<b>1,780,568</b>	<b>(22,243,732)</b>	<b>50,279,341</b>

The notes on pages 7 to 18 are an integral part of these consolidated condensed interim financial statements.

## CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	NOTES	2020	2019
		\$	\$
<b>Operating activities</b>			
Net earnings (net loss) for the period		(2,531,837)	1,178,934
Adjustments for:			
Amortization	5	20,539	19,319
Share-based payments		165,465	68,604
Accretion expense on asset retirement obligations		33,423	39,440
Interest on lease liabilities	8	1,534	2,319
Interest on the royalty buy-back option		43,850	–
Interest on balance of sale		(14,034)	–
Financial expense		–	130,829
Gain (loss) on foreign exchange	8	(154,612)	49,125
Gain on disposal of non-financial assets		–	(314,400)
Change in fair value of investments	4	(100,171)	(866,745)
Other income related to flow-through shares		(44,285)	(79,075)
Income taxes and deferred mining taxes		24,613	42,468
Change in non-cash operating working capital	16	(185,334)	(629,172)
		<b>(2,740,849)</b>	<b>(358,354)</b>
<b>Financing activities</b>			
Proceeds from issuance of shares	10	13,001,880	–
Exercise of options		69,351	–
Share issuance costs		(986,202)	–
Repayment of balance of purchase price	8	(4,143,637)	–
Repayment of lease liabilities	8	(24,754)	(114,125)
		<b>7,916,638</b>	<b>(114,125)</b>
<b>Investing activities</b>			
Receipt of current trust deposits		(263,437)	–
Acquisition of investments	4	(1,337,825)	(150,000)
Disposal of investments	4	1,551,640	1,205,696
Acquisition of property, plant and equipment		–	(13,408)
Acquisition of mining properties	7	(11,000)	(571,646)
Proceeds from the disposal of non-financial assets		–	350,000
Increase in exploration and evaluation assets	7	(579,896)	(265,423)
		<b>(640,518)</b>	<b>555,219</b>
<b>Increase in cash and cash equivalents</b>		<b>4,535,271</b>	<b>82,740</b>
Cash and cash equivalents, beginning of period		<b>11,274,470</b>	<b>6,381,307</b>
<b>Cash and cash equivalents, end of period</b>		<b>15,809,741</b>	<b>6,464,047</b>

Other cash flow information (Note 16)

The notes on pages 7 to 18 are an integral part of these consolidated condensed interim financial statements.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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## 1. REPORTING ENTITY AND NATURE OF OPERATIONS

Monarch Gold Corporation (the "Company"), incorporated on February 16, 2011, under the *Canada Business Corporations Act*, is engaged in the exploitation and exploration of mining properties. Its shares have been trading on the Toronto TSX under the symbol MQR. Its activities are in Canada.

The Company has determined that one of its mining properties, namely Wasamac, contains mineral reserves that are economically recoverable, in accordance with a NI-43-101 feasibility study dated December 1, 2018 and filed on SEDAR on December 3, 2018. As at September 30, 2020, the Company has determined that the Wasamac property is still in the prospecting stage, as the Company has not yet obtained the necessary financing to start the construction and development phase of the Wasamac project.

Since its inception, the Company has incurred significant operating losses and cash outflows related to the operation, exploration and development of its properties. To date, the Company has financed its activities mainly through public offerings of common shares, private placements and assets sales. The Company's ability to ultimately achieve operating income in the future depends on the ability to develop its mining properties and achieve commercial production.

The Company believes that it has sufficient liquidity to meet its obligations over the next 12 months. The Company's business plan is dependent on raising additional funds to pursue the development of its projects. Despite the Company's ability to obtain financing in the past, there can be no assurance that the Company will be able to obtain financing in the future, and there can be no assurance that such financing sources or initiatives will be available to the Company or that they will be available on terms acceptable to the Company.

The address of the Company's head office is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec, Canada J0R 1R0 and its website is [www.monarquesgold.com](http://www.monarquesgold.com).

## 2. BASIS OF PREPARATION

### A) STATEMENT OF COMPLIANCE

These unaudited consolidated condensed interim financial statements have been prepared in accordance with IFRS ("IFRS") issued by the International Accounting Standards Board ("IASB") and in accordance with the accounting policies used by the Company in the most recent audited annual financial statements, except where noted hereunder. These unaudited consolidated condensed interim financial statements have been prepared in accordance with IFRS applying to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Some information ordinarily included in the audited annual consolidated financial statements prepared in accordance with IFRS, in particular the notes thereto, has been omitted or condensed. Accordingly, these unaudited consolidated condensed interim financial statements do not contain all the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements, including the notes thereto, for the year ended June 30, 2020. The Board of Directors approved the unaudited consolidated condensed interim financial statements on November 10, 2020.

The Company's independent auditor has not performed a review of these unaudited consolidated condensed interim financial statements for the period ended September 30, 2020 in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by the Company's auditor.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

## 2. BASIS OF PREPARATION (CONTINUED)

### B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale investments which are recorded at fair value.

### C) FUNCTIONAL AND PRESENTATION CURRENCY

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

### D) USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated 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 year 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's accounting policies and the key sources of estimation uncertainty were the same as those described in the Company's audited consolidated financial statements for the year ended June 30, 2020.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated condensed interim financial statements have been prepared following the same accounting policies used in the consolidated audited financial statements for the year ended June 30, 2020.

## 4. INVESTMENTS

	QUARTER ENDED SEPTEMBER 30, 2020	YEAR ENDED JUNE 30, 2020
	\$	\$
Balance at beginning of period	14,939,261	2,326,036
Shares and warrants received in consideration of the sale of properties and a royalty	–	12,077,724
Disposal	(1,551,640)	(3,265,317)
Change in fair value	100,171	3,538,318
Acquisition	1,337,825	150,000
Exercise of warrants	–	112,500
Balance at end of period	14,825,617	14,939,261

The investments consist of shares and warrants of publicly traded Canadian companies as well as gold ounces.



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**5. PROPERTY, PLANT AND EQUIPMENT**

	LEASEHOLD IMPROVEMENTS	RIGHTS-OF- USE	POWER LINE UNDER CONSTRUCTION <sup>(A)</sup>	MINING ASSETS UNDER CONSTRUCTION <sup>(A)</sup>	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT <sup>(B)</sup>	TOTAL
	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>							
<b>Balance as at June 30, 2019</b>	<b>178,969</b>	–	<b>690,788</b>	<b>8,853,063</b>	<b>1,000,000</b>	<b>7,273,764</b>	<b>17,996,584</b>
Adoption of IFRS 16	–	95,040	–	–	–	–	95,040
Acquisitions	–	–	–	–	–	123,966	123,966
Sale of a royalty	–	–	–	–	(37,312)	–	(37,312)
Capitalized interest	–	–	–	423,901	–	–	423,901
<b>Balance as at June 30, 2020</b>	<b>178,969</b>	<b>95,040</b>	<b>690,788</b>	<b>9,276,964</b>	<b>962,688</b>	<b>7,397,730</b>	<b>18,602,179</b>
Capitalized interest	–	–	–	69,971	–	–	69,971
<b>Balance as at September 30, 2020</b>	<b>178,969</b>	<b>95,040</b>	<b>690,788</b>	<b>9,346,935</b>	<b>962,688</b>	<b>7,397,730</b>	<b>18,672,150</b>
<b>CUMULATIVE AMORTIZATION</b>							
<b>Balance as at June 30, 2019</b>	<b>65,220</b>	–	–	–	<b>317,803</b>	<b>2,327,289</b>	<b>2,710,312</b>
Amortization	47,110	31,680	–	–	–	–	78,790
<b>Balance as at June 30, 2020</b>	<b>112,330</b>	<b>31,680</b>	–	–	<b>317,803</b>	<b>2,327,289</b>	<b>2,789,102</b>
Amortization	12,619	7,920	–	–	–	–	20,539
<b>Balance as at September 30, 2020</b>	<b>124,949</b>	<b>39,600</b>	–	–	<b>317,803</b>	<b>2,327,289</b>	<b>2,809,641</b>
<b>NET CARRYING AMOUNT</b>							
<b>Balance as at June 30, 2020</b>	<b>66,639</b>	<b>63,360</b>	<b>690,788</b>	<b>9,276,964</b>	<b>644,885</b>	<b>5,070,441</b>	<b>15,813,077</b>
<b>Balance as at September 30, 2020</b>	<b>54,020</b>	<b>55,440</b>	<b>690,788</b>	<b>9,346,935</b>	<b>644,885</b>	<b>5,070,441</b>	<b>15,862,509</b>

<sup>(A)</sup> Since these items are not available for use, the power line under construction and mining assets under construction have not yet been depreciated.

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

### 6. MINING PROPERTIES

PROPERTIES <sup>(1)(2)</sup>	JUNE 30, 2020	ACQUISITION	DISPOSAL	SEPTEMBER 30, 2020
	\$	\$	\$	\$
Wasamac	15,116,170	–	–	15,116,170
Fayolle	42,488	–	–	42,488
McKenzie Break <sup>(3)</sup>	3,760,086	201,899	–	3,961,985
Croinor Gold <sup>(4)</sup>	2,873,889	139,160	–	3,013,049
Swanson <sup>(3)</sup>	1,885,740	–	–	1,885,740
	<b>23,678,373</b>	<b>341,059</b>	–	<b>24,019,432</b>

(1) All mining properties are located in the province of Québec, Canada.

(2) Mineral claims included in the properties have been acquired with different agreements or by map designation and, therefore, the applicable royalties, if any, are covered by specific agreements.

(3) An amount of \$40,899 was capitalized as an accretion expense during the year ended September 30, 2020 (\$173,211 as at June 30, 2020).

(4) An adjustment to asset retirement obligations of \$139,160 was recorded in acquisitions.

#### September 30, 2020:

On July 22, 2020, the Company repurchased a \$150,000 royalty on claims adjacent to the McKenzie Break property.

### 7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are as follows:

	JUNE 30, 2020	EXPLORATION AND EVALUATION EXPENSES	DISPOSAL	SEPTEMBER 30, 2020
	\$	\$	\$	\$
Croinor Gold	10,554,708	–	–	10,554,708
Wasamac	3,414,140	244,798	–	3,658,938
McKenzie Break	3,390,388	152,935	–	3,543,323
Swanson et other	213,662	7,396	–	221,058
	<b>17,572,898</b>	<b>405,129</b>	–	<b>17,978,027</b>

Exploration and evaluation assets by nature are as follows:

	QUARTER ENDED SEPTEMBER 30, 2020	YEAR ENDED JUNE 30, 2020
	\$	\$
Exploration and evaluation expenses:		
Salaries, supervision and consultants	291,493	1,206,467
Geology and geophysics	96,625	689,908
Test, sampling and prospecting	5,183	74,542
Drilling, equipment rental and other material	11,828	448,804
<b>Increase in exploration and evaluation expenses</b>	<b>405,129</b>	<b>2,421,015</b>
Disposal	–	(2,437,163)
Balance, beginning of period	17,572,898	17,589,046
<b>Balance, end of period</b>	<b>17,978,027</b>	<b>17,572,898</b>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**8. LONG-TERM DEBT**

	BALANCE OF PURCHASE PRICE			LEASES LIABILITIES	TOTAL
	BEACON	MCKENZIE BREAK AND SWANSON	FAYOLLE AND OTHERS		
	\$	\$	\$	\$	\$
<b>Balance as at June 30, 2019</b>	<b>4,298,116</b>	<b>1,849,174</b>	–	<b>360,469</b>	<b>6,507,759</b>
Adoption of IFRS 16	–	–	–	95,040	<b>95,040</b>
New long-term debt	–	–	725,000	–	<b>725,000</b>
Accrued interest for the year	–	173,211	–	8,151	<b>181,362</b>
Repayment	–	(400,000)	(725,000)	(381,586)	<b>(1,506,586)</b>
Reclassification of accrued interest	(170,766)	–	–	–	<b>(170,766)</b>
Foreign exchange rate impact	170,899	–	–	–	<b>170,899</b>
<b>Balance as at June 30, 2020</b>	<b>4,298,249</b>	<b>1,622,385</b>	–	<b>82,074</b>	<b>6,002,708</b>
Accrued interest for the period	–	40,899	–	1,534	<b>42,433</b>
Repayment	(4,143,637)	–	–	(24,754)	<b>(4,168,391)</b>
Foreign exchange rate impact	(154,612)	–	–	–	<b>(154,612)</b>
<b>Balance as at September 30, 2020</b>	–	<b>1,663,284</b>	–	<b>58,854</b>	<b>1,722,138</b>
Current portion	–	<b>800,000</b>	–	<b>32,371</b>	<b>832,371</b>
Non-current portion	–	<b>863,284</b>	–	<b>26,486</b>	<b>889,770</b>

**9. ASSET RETIREMENT OBLIGATIONS**

During the quarter ended September 30, 2020, the Company issued a surety bond to cover its financial guarantee obligations for the Beacon property. An amount of \$1,822,745 consisting of the amounts deposited directly to the MERN will therefore be reimbursed.

**10. SHARE CAPITAL AND WARRANTS**

Authorized:

Unlimited number of common shares without par value

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

	NUMBER OF WARRANTS	NUMBER OF SHARES ISSUED	NUMBER OF SHARES TO BE ISSUED	AMOUNT \$
<b>Balance as at June 30, 2020</b>	<b>17,819,688</b>	<b>294,086,953</b>	<b>2,266,666</b>	<b>77,899,680</b>
Flow-through shares <sup>(1)</sup>	–	20,434,000	–	9,808,320
Exercise of options	–	565,000	–	251,313
Warrants granted	11,422,040	–	–	–
<b>Balance as at September 30, 2020</b>	<b>29,241,728</b>	<b>315,085,953</b>	<b>2,266,666</b>	<b>87,959,313</b>

<sup>(1)</sup> The carrying value of flow-through shares is presented net of the liability for the flow-through share premium of \$3,193,560 that was recorded related to the issuance of the flow-through shares as at September 17, 2020.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**10. SHARE CAPITAL AND WARRANTS (CONTINUED)**

On September 17, 2020, the Company completed a flow-through financing of 9,030,000 provincial flow-through units at a price of \$0.72 and 11,404,000 federal flow-through units at a price of \$0.57 for gross proceeds of \$13,001,880. Each flow-through unit is comprised of one common share and one-half common share purchase warrant at an exercise price of \$0.60 for a 24-month period.

**A) WARRANTS GRANTED TO NON-BROKERS**

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

	QUARTER ENDED SEPTEMBER 30, 2020		YEAR ENDED JUNE 30, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	17,701,506	0.35	14,528,111	0.51
Granted	10,217,000	0.60	11,291,250	0.29
Expired	–	–	(8,117,855)	0.56
<b>Outstanding, end of period</b>	<b>27,918,506</b>	<b>0.44</b>	17,701,506	0.35

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2020	EXERCISE PRICE	EXPIRY DATE
	\$	
6,410,256 (exercisable)	0.45	March 2021
10,217,000 (exercisable)	0.60	September 2022
11,291,250 (exercisable)	0.29	June 2023
<b>27,918,506</b>		

**B) WARRANTS GRANTED TO BROKERS**

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

	QUARTER ENDED SEPTEMBER 30, 2020		YEAR ENDED JUNE 30, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	118,182	0.33	1,099,650	0.42
Expired	–	–	(981,468)	0.43
Granted	1,205,040	0.50	–	–
<b>Outstanding, end of period</b>	<b>1,323,222</b>	<b>0.48</b>	118,182	0.33

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**10. SHARE CAPITAL AND WARRANTS (CONTINUED)**

**B) WARRANTS GRANTED TO BROKERS (CONTINUED)**

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

NUMBER OF WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2020	EXERCISE PRICE	EXPIRY DATE
	\$	
118,182 (exercisable)	0.33	April 2021
1,205,040 (exercisable)	0.50	September 2022
<b>1,323,222</b>		

**11. SHARE PURCHASE OPTIONS**

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

	QUARTER ENDED SEPTEMBER 30, 2020		YEAR ENDED JUNE 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	10,487,500	0.30	8,910,000	0.30
Granted	2,815,000	0.40	3,045,000	0.25
Expired	–	–	(100,000)	0.37
Cancelled	–	–	(417,500)	0.29
Exercised	(565,000)	0.12	(950,000)	0.12
<b>Outstanding, end of period</b>	<b>12,737,500</b>	<b>0.33</b>	<b>10,487,500</b>	<b>0.30</b>
<b>Exercisable, end of period</b>	<b>4,550,000</b>	<b>0.33</b>	<b>4,432,500</b>	<b>0.31</b>

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

NUMBER OF OPTIONS OUTSTANDING AS AT SEPTEMBER 30, 2020		EXERCISE PRICE	EXPIRY DATE
OUTSTANDING	EXERCISABLE	\$	
425,000	425,000	0.08	JANUARY 2021
80,000	80,000	0.37	JUNE 2021
500,000	500,000	0.50	AUGUST 2021
1,200,000	1,200,000	0.33	NOVEMBER 2021
1,835,000	975,000	0.37	OCTOBER 2022
200,000	100,000	0.37	DECEMBER 2022
2,447,500	1,207,500	0.31	JULY 2023
250,000	62,500	0.25	FEBRUARY 2024
2,785,000	–	0.25	OCTOBER 2024
100,000	–	0.20	APRIL 2025
100,000	–	0.28	JUNE 2025
2,815,000	–	0.40	JULY 2025
<b>12,737,500</b>	<b>4,550,000</b>		

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

## 11. SHARE PURCHASE OPTIONS (CONTINUED)

For the quarter ended September 30, 2020, the application of the fair value model resulted in an expense of \$165,465 (\$68,604 in 2019).

The fair value of stock options granted is determined using the Black-Scholes option pricing model with the following assumptions:

	QUARTER ENDED SEPTEMBER 30, 2020
Risk-free interest rate	0.27%
Expected dividend rate	–%
Expected volatility	80%
Expected life of options	5 years
Weighted average price per share	\$0.40
Weighted average exercise price of options granted	\$0.40
Weighted average fair value of share purchase options granted during the period	\$0.24

## 12. COMMITMENTS

### Flow-through shares

During the years ended June 30, 2019 and 2020, as well as the quarter ended September 30, 2020, the Company is committed to disbursing, prior to certain dates, amounts in eligible exploration and evaluation expenses, in accordance with the *Income Tax Act (Canada) and the Quebec Taxation Act*, and to transfer these tax deductions to the subscribers of the completed flow-through share investments of each of the financings. In connection with these commitments, the table below provides important details:

DATE OF THE FINANCINGS	AMOUNT OF FINANCINGS	DEADLINE FOR DISBURSEMENTS	RESERVED FUNDS AS AT SEPTEMBER 30, 2020	LIABILITIES RELATED TO FLOW-THROUGH SHARES AS AT SEPTEMBER 30, 2020
	\$		\$	\$
September 17, 2020	13,001,880	December 31, 2021	13,001,880	3,193,560
February 24, 2020	1,000,000	December 31, 2021	1,000,000	280,000
April 18 and 26, 2019	2,000,000	December 31, 2020	545,926	156,925
			14,547,806	3,630,485

The Canada Revenue Agency and Revenue Québec have granted additional 12-month delays for disbursements related to flow-through financings completed in 2019 and 2020. As a result, the maximum delay is 12 months longer than the deadlines presented in the previous table.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**13. ADMINISTRATION**

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
Salaries, directors' fees and related benefits	325,933	402,721
Share-based payments	165,465	68,604
Consultants and professional fees	265,619	127,049
Insurance, taxes and permits	53,414	54,536
Office expenses and telecommunications	73,174	75,018
Investor relations and representation expenses	79,350	45,270
Amortization	12,619	11,400
Amortization of rights-of-use	7,920	7,919
	<b>983,494</b>	792,517

**14. CARE AND MAINTENANCE**

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
Beaufor and Camflo	598,224	554,512
Beacon	55,055	41,557
	<b>653,279</b>	596,069

**15. FINANCE EXPENSE**

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
Interest on long-term debt	99,709	166,872
Interest on lease liabilities	1,534	2,319
Accretion expense	77,273	39,440
Others	3,520	3,734
	<b>182,036</b>	212,365

**16. OTHER CASH FLOW INFORMATION**

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
<u>Change in non-cash working capital items:</u>		
Commodity taxes and other receivables	(74,925)	486,263
Inventory	1,660	288,457
Prepaid expenses and deposits	106,091	46,032
Trade and other payables	(218,160)	(1,449,924)
	<b>(185,334)</b>	(629,172)

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**16. OTHER CASH FLOW INFORMATION (CONTINUED)**

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
<u>Non-cash items:</u>		
Change in trade and other payables related to exploration and evaluation assets	174,767	-
Issuance of shares related to the acquisition of mining properties	-	3,000,000
Capitalized interest on property, plant and equipment	69,971	103,987
Capitalized interest on mining properties	40,899	46,615

**17. COMPENSATION**

**A) TOTAL COMPENSATION**

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
Salaries, directors' fees, premiums and other benefits	826,423	1,510,397
Share-based payments	165,465	68,604
Defined contribution plan	33,634	40,985
Government plans	69,749	179,923
	<b>1,095,271</b>	<b>1,799,909</b>

**B) KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel include members of the Board of Directors and the Company's senior executives, namely the President and Chief Executive Officer, VP Finance and Chief Financial Officer, VP Operations and Community Relations and VP Corporate Development.

Key management personnel compensation includes the following expenses:

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
Salaries, directors' fees, premiums and other benefits	301,975	363,617
Share-based payments	134,027	52,825
Defined contribution plan	12,214	7,279
Government plans	15,567	18,110
	<b>463,783</b>	<b>441,831</b>

As at September 30, 2020, trade and other payables included an amount of \$394,466 payable relating to salaries and other benefits (\$620,946 as at June 30, 2020).



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

### 18. EARNINGS (LOSS) PER SHARE

	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019
	\$	\$
Net earnings (net loss)	<b>(2,531,837)</b>	1,178,934
Weighted average number of basic ordinary shares	<b>297,432,491</b>	254,468,945
Common shares to be issued	–	3,400,000
Dilutive effect of share purchase options	–	1,104,266
Weighted average number of diluted ordinary shares	<b>297,432,491</b>	258,973,211

Warrants and share purchase options were excluded from the calculation of the diluted weighted average number of common shares outstanding for the quarter ended September 30, 2020, as the Company was at a loss. Consequently, their effect would have been anti-dilutive.

### 19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### Fair value of financial instrument

Current financial assets and liabilities, which include cash and cash equivalents, short-term trust deposits, balance of sale, other receivables and trade and other payables, approximate their fair value due to their immediate or short-term maturity. Therefore, no details regarding their fair value are presented below.

The carrying value of non-current liabilities, which includes long-term debt and the royalty buy-back option, approximates its fair value. Although market conditions fluctuated between the transaction dates and September 30, 2020, the combination of fluctuations in the various factors resulted in an insignificant change in fair value. The fair value of these financial liabilities is calculated based on the present value of principal and interest cash outflows that are discounted at market rates at the balance sheet date taking into account the Company's credit risk.

The following table shows the carrying amount and fair value of financial assets and liabilities, and their level in the fair value hierarchy:

AS AT SEPTEMBER 30, 2020	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
<b>Financial assets measured at fair value</b>					
Available-for-sale investments	14,825,617	14,825,617	14,317,450	508,167	–
<b>Financial liabilities measured at amortized cost</b>					
Royalty buy-back option	1,387,642	1,387,642	–	–	1,387,642
Balance of purchase price	1,663,284	–	–	–	1,663,284

#### Risk exposure and management

The Company is exposed to several risks at different levels. The type of risk and the way the exposure is managed has not changed since June 30, 2020.

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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### 20. SUBSEQUENT EVENT

On November 1, 2020, The Company entered into a definitive agreement with Yamana Gold Inc. ("Yamana") under which Yamana will acquire the Wasamac property and the Camflo property and plant through the acquisition of all the outstanding shares of Monarch (not already owned by Yamana) for a total consideration of approximately \$ 200 million or \$ 0.63 per share of Monarch on a fully diluted basis, as part of a plan of arrangement . The total consideration payable by Yamana to Monarch shareholders is approximately \$ 60.8 million in cash and \$ 91.2 million in Yamana shares. According to the plan of arrangement, Monarch will first carry out a spin-off operation to its shareholders, by a newly incorporated company ("SpinCo") which will hold its other mining properties and certain other assets and liabilities of Monarch, by issuing in return common shares of SpinCo with an implied value of approximately \$ 47.5 million.