CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

MONARCH GOLD CORPORATION
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Years ended June 30, 2020 et 2019

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Monarch Gold Corporation

Opinion

We have audited the accompanying consolidated financial statements of Monarch Gold Corporation (the "Company"), which comprise:

- the consolidated statements of financial position as at June 30, 2020 and June 30, 2019
- the consolidated statements of net earnings and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- as well as the notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and June 30, 2019 and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors’ report is Marie David.

KPMG LLP

Montréal, Canada

September 23, 2020

	NOTES	JUNE 30, 2020	JUNE, 30 2019
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	16	**11,274,470**	6,381,307
Investments	5	**14,939,261**	2,326,036
Commodity taxes and other receivables		**259,488**	782,846
Inventory	6	**1,193,864**	2,272,430
Balance of sale	7	**2,000,000**	–
In trust deposit	12	**379,065**	–
Prepaid expenses and deposits		**624,351**	1,062,608
		30,670,499	12,825,227
NON-CURRENT ASSETS			
Balance of sale	8	**1,360,544**	–
In trust deposits	12	**3,892,006**	4,253,706
Property, plant and equipment	7	**15,813,077**	15,286,272
Mining properties	8	**23,678,373**	22,623,144
Exploration and evaluation assets	9	**17,572,898**	17,589,046
		62,316,898	59,752,168
		92,987,397	72,577,395
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**3,116,492**	4,226,206
Current portion of long-term debt	10	**3,712,691**	744,787
Current portion of other liabilities	11, 16	**481,210**	571,723
		7,310,393	5,542,716
NON-CURRENT LIABILITIES			
Long-term debt	10	**2,290,017**	5,762,972
Other liabilities	11	**1,343,792**	–
Deferred income taxes and mining taxes	26	**6,823,593**	5,323,998
Asset retirement obligations	12	**9,234,311**	10,765,906
		19,691,713	21,852,876
		27,002,106	27,395,592
SHAREHOLDERS' EQUITY			
Share capital and warrants	13	**77,899,680**	66,892,505
Contributed surplus		**2,032,752**	1,711,964
Deficit		**(13,947,141)**	(23,422,666)
		65,985,291	45,181,803
		92,987,397	72,577,395

Reporting entity and nature of operations (Note 1); Contingencies (Note 15); Commitments (Note 16); Subsequent events (Note 30).

The notes on pages 11 to 54 are an integral part of these consolidated financial statements.

On behalf of the Board:

'Jean-Marc Lacoste', Director

'Michel Bouchard', Director

	NOTES	2020	2019
		$	$
Revenue	17	**6,680,690**	31,652,869
Cost of sales	18	**(2,553,365)**	(27,302,521)
Gross margin		**4,127,325**	4,350,348
Administration	19	**(3,638,032)**	(5,968,890)
Care and maintenance	20	**(3,742,651)**	(302,137)
Exploration		**(99,042)**	(312,114)
Operating loss		**(3,352,400)**	(2,232,793)
Finance income		**71,453**	215,979
Finance expense	21	**(280,875)**	(603,064)
Loss on foreign exchange		**(137,023)**	(5,136)
Gain on disposal of non-financial assets	7, 8, 9	**11,398,621**	1,714,832
Other income	22	**–**	1,201,276
Change in fair value of investments	5	**3,538,318**	329,475
Change in fair value of derivative financial instruments		**–**	(160,993)
Transaction cost		**(500,000)**	–
Other income related to flow-through shares		**370,513**	1,717,668
Earnings before taxes		**11,108,607**	2,177,244
Current income taxes	26	**(55,380)**	(234,399)
Deferred income and mining taxes	26	**(1,520,293)**	(1,456,940)
		(1,575,673)	(1,691,339)
Net earnings and comprehensive income		**9,532,934**	485,905
Basic net earnings per share	27	**0.036**	0.001
Diluted net earnings per share	27	**0.036**	0.001

The notes on pages 11 to 54 are an integral part of these consolidated financial statements.

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	$	$	$	$
BALANCE AS AT JUNE 30, 2019	**66,892,505**	**1,711,964**	**(23,422,666)**	**45,181,803**
EQUITY FINANCING				
Issuance of common shares (Note 13)	5,419,800	–	–	**5,419,800**
Issuance of flow-through shares (Note 13)	1,000,000	–	–	**1,000,000**
Premium on flow-through shares (Note 13)	(280,000)	–	–	**(280,000)**
Issuance of common shares related to the acquisition of mining properties (Note 8)	3,863,500	–	–	**3,863,500**
Common shares issued and to be issued in connection with the acquisition of mining properties (Note 8)	850,000	–	–	**850,000**
Share issuance costs	–	–	(78,107)	**(78,107)**
OPTIONS AND WARRANTS GRANTED TO BROKERS				
Options granted to employees, officers, directors, consultants or I.R. representatives (Note 14)	–	358,663	–	**358,663**
Options exercised (Note 14)	153,875	(37,875)	–	**116,000**
Deferred taxes related to share issue costs for the current year	–	–	20,698	**20,698**
	77,899,680	2,032,752	(23,480,075)	**56,452,357**
NET EARNINGS FOR THE YEAR	–	–	9,532,934	**9,532,934**
BALANCE AS AT JUNE 30, 2020	**77,899,680**	**2,032,752**	**(13,947,141)**	**65,985,291**

The notes on pages 11 to 54 are an integral part of these consolidated financial statements.

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	$	$	$	$
BALANCE AS AT JUNE 30, 2018	**63,237,031**	**1,350,888**	**(23,805,606)**	**40,782,313**
EQUITY FINANCING				
Flow-through shares	2,999,770	–	–	**2,999,770**
Premium on flow-through shares	(896,900)	–	–	**(896,900)**
Common shares related to the acquisition of mining properties	627,300	–	–	**627,300**
Common shares related to the acquisition of an investment in shares	763,750	–	–	**763,750**
Share issuance costs	–	–	(130,511)	**(130,511)**
		–		
OPTIONS AND WARRANTS GRANTED TO BROKERS				
Warrants granted to brokers	9,454	–	(9,454)	**–**
Options granted to employees, officers, directors, consultants or I.R. representatives	–	415,176	–	**415,176**
Options exercised	152,100	(54,100)	–	**98,000**
Deferred taxes related to share issue costs for the current year	–	–	37,000	**37,000**
	66,892,505	1,711,964	(23,908,571)	**44,695,898**
NET EARNINGS FOR THE YEAR	–	–	485,905	**485,905**
BALANCE AS AT JUNE 30, 2019	**66,892,505**	**1,711,964**	**(23,422,666)**	**45,181,803**

The notes on pages 11 to 54 are an integral part of these consolidated financial statements.

	NOTES	2020	2019
		$	$
Operating activities			
Net earnings for the year		**9,532,934**	485,905
Adjustments for:			
Change in contract liabilities		**–**	(1,297,200)
Amortization	7	**78,790**	1,185,402
Share-based payments		**358,663**	415,176
Accretion expense arising from other liabilities	21	**28,460**	–
Accretion expense on asset retirement obligations	12	**145,104**	197,644
Interest on lease liabilities	10	**8,151**	–
Financial expense		**130,829**	–
Adjustment of asset retirement obligations	12	**(250,000)**	42,188
Change in fair value of derivative financial instruments		**–**	160,993
Other income related to flow-through shares		**(370,513)**	(1,717,668)
Unrealized gain (loss) on foreign exchange	10	**170,899**	(31,148)
Other income	22	**–**	(1,201,276)
Cost of modifying the terms of a balance of purchase price	10	**–**	191,379
Gain on disposal of non-financial assets	7, 8	**(11,398,621)**	(1,714,832)
Change in fair value of investments	5	**(3,538,318)**	(329,475)
Income taxes and deferred mining taxes	26	**1,520,293**	1,456,940
Change in non-cash operating working capital	23	**(17,430)**	(3,608,814)
		(3,600,759)	(5,764,786)
Financing activities			
Proceeds from issuance of shares	13	**5,419,800**	–
Proceeds from issuance of flow-through shares	13	**1,000,000**	2,999,770
Exercise of options	14	**116,000**	98,000
Share issuance costs		**(78,107)**	(130,511)
Repayment of balance of purchase price	10	**(1,125,000)**	(400,000)
Repayment of lease liabilities	10	**(381,586)**	(406,979)
		4,951,107	2,160,280
Investing activities			
Receipt of current trust deposits		**–**	545,000
Receipt (payment) of in trust deposits	12	**(17,365)**	3,048,256
Acquisition of property, plant and equipment	7	**(123,966)**	(630,929)
Acquisition of mining properties	8	**(610,057)**	(262,819)
Disposal of mining properties and royalties	8	**3,490,000**	600,000
Acquisition of investments	5	**(262,500)**	(170,175)
Disposal of investments	5	**3,265,317**	61,232
Other income	22	**–**	326,400
Increase in exploration and evaluation assets	9	**(2,198,614)**	(8,577,400)
		3,542,815	(5,060,435)
Increase (decrease) in cash and cash equivalents		**4,893,163**	(8,664,941)
Cash and cash equivalents, beginning of year		**6,381,307**	15,046,248
Cash and cash equivalents, end of year		**11,274,470**	6,381,307

Other cash flow information (Note 23)

The notes on pages 11 to 54 are an integral part of these consolidated financial statements.

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 trade 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 June 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.

In June 2019, the Company decided to temporarily suspend the operations of the Beaufor mine and the Camflo mill, which have been placed in care and maintenance.

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.

2. NEW ACCOUNTING STANDARD

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 specifies the method to be used to recognize, measure and present leases. The standard establishes a single accounting model for the lessee and requires the lessee to recognize an asset for the right of use representing its right of use of the underlying asset and a lease liability representing its obligation to make lease payments.

Accounting policy - Leases

At inception of a contract, the Company assesses whether a contract is or contains a lease by determining whether it confers the right to control the use of a specified asset for a certain period of time in exchange for consideration. This policy is applied to contracts entered into, or amended, on or after July 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the inception date of the lease. The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted to reflect lease payments made on or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and removing the underlying asset or restoring it or the site on which it is located, less any lease incentive received.

2. NEW ACCOUNTING STANDARD (CONTINUED)

IFRS 16, Leases (continued)

Accounting policy – Leases (continued)

The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 3 years for equipment and rent. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its marginal borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising mainly due to a change in index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or when the Company changes its assessment regarding the possible exercise of a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of net earnings and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Payments related to short-term leases (12 months or less) and leases of low value assets are recorded as expenses in the consolidated statement of net earnings and comprehensive income on a straight-line basis.

Impact of the transition to IFRS 16

The new standard is effective for annual periods beginning on or after July 1, 2019. The Company has applied the simplified transition approach and has therefore not restated the comparative figures for fiscal 2019. The rights-of-use assets related to real estate leases were measured at transition as if the new standard had been applied since the effective date of the respective leases but using the Company's marginal borrowing rate of 5% as at July 1, 2019 for similar assets.

The Company has recorded right-of-use asset of $95,040 as at July 1, 2019 (presented in the consolidated balance sheets under Property, plant and equipment - rights-of-use) and leases liabilities of $95,040 (presented in the consolidated balance sheet under Long-term debt - Leases liabilities) with no net impact on the deficit.

The following table provides a reconciliation between the Company's operating lease commitments as at June 30, 2019, as previously disclosed in the Company's annual audited financial statements, and the leases liabilities recorded upon first application of IFRS 16 as at July 1, 2019

	$
Commitments under operating leases as at June 30, 2019	110,412
Discounting effect using the marginal borrowing rate at July 1, 2019	95,040
Finance lease obligations recognized as at June 30, 2019	360,469
Lease liabilities recognized as at July 1, 2019	455,509

3. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with IFRS.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect at the reporting date. On September 23, 2020, the Board of Directors approved these consolidated financial statements.

B) BASIS OF MEASUREMENT

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

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

C) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are described below:

i) Mineral reserves and resources

Key sources of estimation uncertainty

Mineral reserves and resources have been estimated by qualified persons as defined in accordance with Canadian Securities Administrators’ National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements. Mineral reserve and resource estimates include numerous uncertainties and depend heavily on geological interpretations and statistical inferences drawn from drilling and other data and require estimates of the future price for the commodity and the future cost of operations. The mineral reserve and resource estimates are subject to uncertainty and actual results may vary significantly from these estimates. Results from drilling, testing and production, as well as material changes in metal prices and operating costs subsequent to the date of an estimate, may justify revision of such estimates.

3. BASIS OF PREPARATION (CONTINUED)

D) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

i) Mineral reserves and resources (continued)

Key sources of estimation uncertainty (continued)

A number of accounting estimates, as described in the relevant accounting policy notes, are impacted by the mineral reserves and resources estimates:

• Exploration and evaluation of mineral resources and determination of technical feasibility and commercial viability. The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits may be realized, which are based on assumptions about future events and circumstances.

• Impairment and reversal of impairment analysis of non-financial assets including evaluation of estimated future cash flows of cash-generating units ("CGU").

• Estimates of the outlays and their timing for asset retirement obligations.

ii) Impairment and reversal of impairment assessment of non-financial assets

Key sources of estimation uncertainty

Management's assumptions and estimates of future cash flows used in the Company's impairment assessment of non-financial assets are subject to risk and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of the Company's control.

If an indication of impairment or reversal of a previous impairment charge exists, an estimate of the CGU's recoverable amount is calculated. The recoverable amount is based on the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU") using a discounted cash flow method taking into account assumptions that would be made by market participants, unless there is a market price available based on a recent purchase or sale of a mine. Cash flows cover periods up to the date that mining is expected to cease, which depends on a number of variables including recoverable mineral reserves and resources, expansion plans and the forecasted selling prices for such production.

Judgments made in relation to accounting policies

Both internal and external sources of information are required to be considered when determining whether there is any indication of impairment or that a previous impairment has reversed. Judgment is required around adverse changes in the business climate which may be indicators for impairment such as a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological re-assessment or change in timing of extraction of resources and/or reserves which would result in a change in the discounted cash flow obtained from the site, and lower metal prices or higher input cost prices than would have been expected since the most recent valuation of the site. Judgment is also required when considering whether significant positive changes in any of these items indicate a previous impairment may have reversed.

3. BASIS OF PREPARATION (CONTINUED)

D) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

ii) Impairment and reversal of impairment assessment of non-financial assets (continued)

Judgments made in relation to accounting policies (continued)

Judgment is required to determine whether there are indications that the carrying amount of an exploration project is unlikely to be recovered in full by the successful development of the project or by sale. Judgment is also required when considering whether significant positive changes might indicate a reversal of a previous impairment of exploration and evaluation.

iii) Provisions and recognition or not of a liability for loss contingencies

Judgments made in relation to accounting policies

Judgments are required to determine if a present obligation exists at the end of the reporting period and by considering all available evidence, including the opinion of experts. The most significant provisions that require judgment to determine if a present obligation exists are asset retirement obligations ("AROs"). This includes assessment of how to account for obligations based on the most recent closure plans and environmental regulations.

Key sources of estimation uncertainty

Provisions related to present obligations, including AROs, are management's best estimate of the amount of probable future outflow, expected timing of payments, and discount rates.

iv) Royalty buy-back option

Judgments made in relation to accounting policies

Management must exercise its judgment in evaluating the appropriate accounting treatment for the sale of the Beaufor property royalty and the allocation of the proceeds between the property, plant and equipment disposed of and the royalty buy-back option. The Company reviewed the specific terms of the agreement to determine whether it had disposed of an interest in the reserves and resources of the Beaufor property. The evaluation considered the rights attributed to the counterparty and the risks and rewards associated with it during the life of the transaction.

v) Balance of sale of a mining property

Judgments made in relation to accounting policies

Management must exercise judgment in evaluating the appropriate accounting treatment for the sale of the Fayolle property and the components of the proceeds of disposition. The Company reviewed the specific terms of the balance of sale to determine whether it was highly probable that the proceeds would be received.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

A) BASIS OF CONSOLIDATION

i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date on which control ceases.

The consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries, Usine Camflo inc. ("Camflo"), X-Ore Resources Inc. ("X-Ore"), Beacon Gold Mill Inc. ("Beacon") Louvem Mines Inc. ("Louvem"), and 11306448 Canada Inc. ("Canada").

ii) Transactions eliminated between the Company and the subsidiaries

Inter-company balances and transactions, and any unrealized losses and profits arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

B) FOREIGN CURRENCY TRANSLATION

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and all its subsidiaries. The functional currency has remained unchanged during the reporting periods for all entities of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at the exchange rate at the end of the reporting period are recognized in the consolidated statement of net earnings and comprehensive income under "gain on foreign exchange." Non-monetary items measured at historical cost are translated using the exchange rate at the transaction date (not retranslated). Non-monetary items measured at fair value are translated at the exchange rate at the date when fair value was determined.

C) REVENUE RECOGNITION

Revenue includes precious metals revenue (gold and silver) and milling revenue.

Precious metals revenue, based on spot metal prices, is recorded when the goods are physically delivered. The performance obligations are satisfied when the metals are transferred to customer accounts. At this point in time, the Company physically transfers the product and the significant risks and rewards related to ownership of the metals to clients. Revenue from gold sales is recorded based on the contract price.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) REVENUE RECOGNITION (CONTINUED)

Milling revenue is recorded when the ore processing service is rendered by the Company, accepted by the client and collection is reasonably assured. The performance obligations are satisfied when the milling services have been completed. At this point in time, the Company physically transfers the milling products and the significant risks and rewards related to the metals to customers.

Lastly, following the adoption of IFRS 15, nomenclature for deferred revenue was revised to contract liabilities.

D) MINING PROPERTIES AND DEVELOPMENT COSTS

The Company may own interests in mining properties in different forms, including prospecting permits, exploration and mining concessions, mining leases and surface rights. The Company capitalizes, as mining properties, payments made in the process of acquiring legal title to such properties.

At the time of the exploration phase, the Company capitalizes exploration and evaluation costs. Exploration and evaluation costs include expenses associated with geological and geophysical studies, expenses related to initial exploration activities for deposits with economic potential such as exploration drilling, sampling and activities related to the assessment of the technical feasibility and commercial viability of mineral resource exploration.

Mining property acquisition costs and development costs are recognized at cost. Mine development costs incurred to increase mining capacity, explore new mineral deposits or develop mining areas before production is possible are capitalized. Mine development costs for the current period are recognized in inventory. Pre-production expenses incurred before the mine can be mined as planned by management are capitalized. Borrowing costs related to qualifying assets are capitalized and incorporated in mine development costs while construction and development of the property continues. Any proceeds from metal sales received during a project's development and commissioning phase are recorded against capitalized expenses. The development and commissioning phase ends when commercial production commences.

Beginning of the development phase

The Corporation evaluates the potential of each project to determine when it should progress from the exploration and evaluation phase to the development phase. Technical feasibility and commercial viability will be considered to have been achieved when the Company has met the following conditions:

- Obtaining a technical feasibility and commercial viability study
- Decision of the company on this basis to proceed to the development phase
- Obtaining extraction permits
- Obtain the necessary funding to carry out the development plan

Once management has determined that a project has demonstrated development potential based on these criteria and once approved by the Board of Directors, the project enters the development phase.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) MINING PROPERTIES AND DEVELOPMENT COSTS (CONTINUED)

Beginning of the commercial production phase

The Company assesses the status of each mining asset under development to determine when it will begin commercial production, usually when the mine is substantially complete and ready for use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Company considers various criteria relevant to assessing when the production phase is considered to have commenced. At this point, all corresponding amounts are reclassified from mining assets under construction to mining properties. Some of the criteria used to identify the start date of commercial production include, but are not limited to:

- when the mine is substantially completed and ready for use;
- the ability to maintain current production at a constant or increasing level;
- mineral recovery is equal to or close to the expected production level; and,
- the completion of a reasonable trial period for the mine facility and equipment.

Once commercial production has commenced, additional development costs incurred in a mining property are incorporated into the cost of the mining property when it is probable that additional future economic benefits relating to the expense will flow to the Company. Otherwise, these expenses are classified as exploration expenses in the consolidated statement of net earnings (net loss) and comprehensive income. Once the commercial production phase has commenced, the mining properties are depreciated over the useful life of the mine using the unit of production method, based on the mine's estimated proven and probable mineral reserves and the portion of measured, indicated and inferred mineral resources expected to be classifiable as reserves for the corresponding mines. The Company determines the portion of mineral resources expected to be classified in reserves by considering the extent to which cost-effective mining is probable, which depends on assumptions on long-term metal prices, cut-off grade assumptions, and drilling results. These assessments are made for each individual mine.

The expected useful lives used to calculate depletion are determined in view of the facts and circumstances associated with the mining property. Any change in the estimated useful lives is accounted for prospectively as of the date of the change.

E) POST-EMPLOYMENT BENEFITS AND SHORT-TERM EMPLOYEE BENEFITS

The Company provides post-employment benefits through a defined benefit plan under which the Company makes defined contributions based on a percentage of the employees' salary to an independent entity. The Company has no legal or constructive obligation to make contributions in addition to the defined contributions. The Company also contributes to government plans for certain employees, which are considered defined benefit plans. The plan contributions are recognized as an expense in the period in which the services of employees are received. Short-term employee benefits, including vacation entitlement, are current liabilities included in "trade and other payables" and are measured at the undiscounted amount the Company expects to pay due to unused entitlement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) INVENTORY

Supply, ore and precious metals inventories are valued at the lower of cost and net realizable value. The cost of supply, ore and precious metals inventories is determined using the weighted average cost formula. The cost of ore and precious metals inventories includes all expenses directly attributable to the ore extraction and processing process, including a systematic allocation of fixed and variable production overheads that are incurred in extracting and processing ore.

Net realizable value is the estimated selling price in the ordinary course of business less any estimated cost to completion and estimated selling expenses. The cost of inventory recognized as an expense is included in the cost of sales under "mining."

G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, net of related government assistance, accumulated depreciation and accumulated impairment. Cost includes all costs incurred initially to acquire or construct an item of property, plant and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Depreciation of the Beaufor mining property

Property, plant and equipment of the Beaufor mining site are depreciated using the units-of-production method to write down the cost to estimated residual value. The depreciation rate is calculated in accordance with the number of ounces of gold produced using proven and probable reserves. The estimated period of depreciation is determined based on the reserves of each mining site in production.

Depreciation is presented as a depreciation expense and is included in the cost of sales.

Depreciation of other property, plant and equipment

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of property, plant and equipment is calculated on a straight-line basis over their expected useful lives as follows:

- Buildings: 20 years
- Leasehold improvements: 10 years
- Equipment and mobile equipment: 5 to 10 years

Depreciation of an asset ceases when it is classified as held for sale or when it is derecognized. Consequently, amortization does not cease when the asset becomes idle or is retired from active use, unless the asset is fully depreciated.

Material residual value estimates, estimates of useful life, proven and probable reserves and the depreciation method are reviewed as required, at least annually. Any changes in residual value, useful life and proven and probable reserves are recognized prospectively as they occur.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of other property, plant and equipment (continued)

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the proceeds of disposal and the carrying amount of the asset and is recognized separately in the consolidated statement of net earnings (net loss) and comprehensive income.

Borrowing costs are capitalized and charged specifically to qualifying assets at the time the funds are borrowed, either specifically to finance a project or as general borrowings during the construction period.

H) BUSINESS COMBINATION AND GOODWILL

Subsidiary and business acquisitions are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination under IFRS requires judgment on a case-by-case basis. The consideration related to an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date in exchange for control of the acquiree. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in net earnings (net loss). Transaction costs other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Identifiable assets acquired and liabilities assumed in a business combination are initially measured at the acquisition-date fair value. Any contingent consideration is measured at the acquisition-date fair value. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for in equity. Subsequent changes to the fair value of contingent consideration not classified as equity are recognized in net earnings (net loss).

Goodwill is the excess of the fair value of the consideration transferred over the fair value of the identifiable assets acquired and identifiable liabilities assumed. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is calculated by measuring the recoverable amount of the cash-generating unit to which the goodwill belongs. When the recoverable amount of the cash-generating unit is lower than the recoverable amount, an impairment loss is recognized.

A transaction that does not meet the definition of a business combination under IFRS is recognized as an asset acquisition. Consequently, the identifiable net assets acquired and liabilities assumed are measured at the fair value of the consideration paid, based on their relative fair values at the acquisition date. Acquisition-related costs are included in the consideration paid and capitalized. No goodwill and no deferred tax asset or liability arising from the assets acquired and liabilities assumed are recognized upon the acquisition of assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership of the transferred asset.

Financial assets and financial liabilities are offset and the net balance is presented in the balance sheet when there is an unconditional and legally enforceable right to offset the recognized amounts and an intention either to settle net or to realize the asset and settle the liability simultaneously.

All financial instruments must be measured at fair value on initial recognition. Fair value is based on quoted market prices unless the financial instruments are not traded in an active market. In this case, fair value is determined using valuation techniques such as the Black-Scholes option pricing model or other valuation techniques.

Measurement subsequent to initial recognition depends on the classification of the financial instrument. The Company has classified its financial instruments into the following categories based on their purpose for which they were acquired and their characteristics.

i) Financial assets

Equity instruments

Investments in equity securities are subsequently measured at fair value and changes are recognized in net income. Equity securities that are not held for trading may be irrevocably designated at fair value in other comprehensive income on initial recognition, without subsequent reclassification to net income. Accumulated gains and losses are transferred from accumulated other comprehensive income to retained earnings upon derecognition of the investment. Dividend income on equity securities measured at fair value through other comprehensive income is recognized in the consolidated statement of loss on the ex-dividend date.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

CATEGORY	FINANCIAL INSTRUMENT
Financial assets at amortized cost.............................	➢ Cash and cash equivalents
	➢ Balance of sale
Financial assets at fair value through profit or loss ...	➢ Investments
Financial liabilities at amortized cost	➢ Trade and other payables
	➢ Long-term debt
	➢ Royalty buy-back option

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) FINANCIAL INSTRUMENTS (CONTINUED)

iii) Non-financial assets

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered, and exploration and evaluation activities will be discontinued;

Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

iv) Impairment

The Company uses the prospective model based on expected losses to calculate the impairment of financial assets. The application of the expected loss model requires considerable judgment, including consideration of the impact of changes in economic factors on expected credit losses, which will be determined on a probability weighted basis. At each balance sheet date, this new impairment model is applied to financial assets measured at amortized cost or those measured at JVAERG, with the exception of investments in equity instruments and contractual assets.

Impairment losses, if incurred, would be recorded in the Company's administrative expenses in the consolidated statement of net earnings and comprehensive income, and the carrying amount of the financial asset or group of financial assets would be reduced by an allowance account for credit losses. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed in the consolidated statement of net earnings and comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

J) IMPAIRMENT

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether indicators of impairment exist. Indicators of impairment of property, plant and equipment are different of those related to mining properties and exploration and evaluation assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J) IMPAIRMENT (CONTINUED)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The level identified by the Company for the purposes of testing mining properties and exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

K) PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

L) SHARE CAPITAL AND WARRANTS

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares, and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through shares

The Canadian tax legislation allows an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the Company. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through shares.

At the time of the share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability related to flow-through shares. The Company estimates the fair value of the liability related to flow-through shares using the residual method, by deducting the quoted price of common shares from the price of the flow-through shares at the date of the financing announcement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L) SHARE CAPITAL AND WARRANTS (CONTINUED)

Flow-through shares (continued)

A company may renounce the deductions for tax purposes under either what is referred to as the "general" method or the "look-back" method.

When tax deductions are renounced under the general method, the Company records a deferred tax liability with the corresponding charge to income tax expense when the Company has the expectation of renouncing and has capitalized the expenditures for the current year. At the same time the liability related to flow-through shares is reduced, with a corresponding increase to income.

When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are incurred and capitalized. At the same time, the liability related to flow-through shares would be reduced to nil, with a corresponding increase to income.

Warrants

Warrants are classified as equity when they are derivatives over the Company's own equity and will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments; otherwise they are classified as liabilities.

M) SHARE-BASED PAYMENTS

The grant date fair value of share-based payment awards granted to employees, members of the Board of Directors, consultants and brokers is recognized as an expense, with a corresponding increase in contributed surplus, over the period during which the participants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the direct corresponding increase in equity at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

N) INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings (net loss), except to the extent that it relates to a business combination or to items recognized directly in equity or in other comprehensive income or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N) INCOME TAX (CONTINUED)

Current tax is the tax that is expected to be paid or recovered on account of taxable income or deductible loss for a year, based on tax rates enacted or substantively enacted at the balance sheet date, and also includes any adjustment to tax payable in respect of prior years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from business combinations and transactions recognized in equity

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

O) REFUNDABLE CREDIT ON MINING DUTIES AND REFUNDABLE TAX CREDIT RELATED TO RESOURCES

The Company is eligible for a refundable credit on mining duties under the *Quebec Mining Duties Act*. This refundable credit on mining duties is equal to 16% and applicable to 50% of the eligible expenses. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit.

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Currently, it is management's intention to go into production in the future. Credits on mining duties are therefore recorded as recovery of income taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O) REFUNDABLE CREDIT ON MINING DUTIES AND REFUNDABLE TAX CREDIT RELATED TO RESOURCES (CONTINUED)

The Company is also eligible for a refundable resource tax credit for mining industry companies on eligible expenses incurred. The refundable resource tax credit represents up to 31% for eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets. Since the expenses for exploration and evaluation assets have been financed with flow-through shares, the Company is not currently eligible for these tax credits since they have been transferred to investors.

Credits related to resources recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. The credits are recognized in profit or loss on a systematic basis and over the useful life of the related assets.

P) EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, after adjusting for shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, after adjusting for shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted

Q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and amounts deposited with banks. Cash equivalents include all highly liquid short-term investments with original maturities of three months or less, or cashable at any time without penalty.

R) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The following new standard and interpretation is not yet effective and has not been applied in the preparation of these financial statements:

Property, Plant and Equipment - Revenue Prior to Intended Use (Amendments to IAS 16)

On May 14, 2020, the IASB published Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16).

The amendments apply to fiscal years beginning on or after January 1, 2022. Earlier application is permitted.

The amendments provide guidance on the recognition of the proceeds from the sale of items that a company produces and sells so that an item of property, plant and equipment can be used as intended, as well as the related costs of production. In particular, proceeds from the sale of items that have been produced before the related property, plant and equipment is ready for use should be recognized in net income, together with the related production costs.

5. INVESTMENTS

	JUNE 30, 2020	JUNE 30, 2019
	$	$
Balance at beginning of year	**2,326,036**	29,167
Shares and warrants received in consideration of the sale of properties and a royalty (Note 8)	**12,077,724**	390,000
Shares received in consideration of the issuance of shares (Note 13)	**–**	763,750
Other income (Note 22)	**–**	874,876
Disposal	**(3,265,317)**	(61,232)
Change in fair value	**3,538,318**	329,475
Acquisition	**150,000**	–
Exercise of warrants	**112,500**	–
BALANCE AT END OF YEAR	**14,939,261**	2,326,036

The investments consist of shares and warrants of publicly traded Canadian companies.

6. INVENTORY

	JUNE 30, 2020	JUNE 30, 2019
	$	$
Precious metals	**–**	954,135
Supplies	**1,193,864**	1,318,295
	1,193,864	2,272,430

7. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	RIGHTS-OF-USE	POWER LINE UNDER CONSTRUCTION (A) (B)	MINING ASSETS UNDER CONSTRUCTION(A)	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT (B)	TOTAL
	$	$	$	$	$	$	$
COST							
Balance as at June 30, 2018	**167,306**	**–**	**168,349**	**7,987,258**	**1,000,000**	**6,698,651**	**16,021,564**
Acquisitions	11,663	–	17,392	4,172	–	597,702	630,929
Capitalized interest	–	–	–	393,539	–	–	393,539
Adjustments related to asset retirement obligations	–	–	–	468,094	–	(22,589)	445,505
Cancellation of the grant (B)	–	–	505,047	–	–	–	505,047
Balance as at June 30, 2019	**178,969**	**–**	**690,788**	**8,853,063**	**1,000,000**	**7,273,764**	**17,996,584**
Adoption of IFRS 16 (Note 2)	–	95,040	–	–	–	–	95,040
Acquisitions	–	–	–	–	–	123,966	123,966
Sale of a royalty	–	–	–	–	(37,312)	–	(37,312)
Capitalized interest	–	–	–	423,901	–	–	423,901
Balance as at June 30, 2020	**178,969**	**95,040**	**690,788**	**9,276,964**	**962,688**	**7,397,730**	**18,602,179**
CUMULATIVE AMORTIZATION							
Balance as at June 30, 2018	23,343	–	–	–	204,451	1,297,116	1,524,910
Amortization	41,877	–	–	–	113,352	1,030,173	1,185,402
Balance as at June 30, 2019	**65,220**	**–**	**–**	**–**	**317,803**	**2,327,289**	**2,710,312**
Amortization	47,110	31,680	–	–	–	–	78,790
Balance as at June 30, 2020	**112,330**	**31,680**	**–**	**–**	**317,803**	**2,327,289**	**2,789,102**
NET CARRYING AMOUNT							
Balance as at June 30, 2019	**113,749**	**–**	**690,788**	**8,853,063**	**682,197**	**4,946,475**	**15,286,272**
Balance as at June 30, 2020	**66,639**	**63,360**	**690,788**	**9,276,964**	**644,885**	**5,070,441**	**15,813,077**

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

(B) The Company has entered into an agreement with the Ministry of Energy and Natural Resources ("MENR") whereby the MENR funds a portion of the construction cost based on expenses incurred by the Company. As at June 30, 2019, the Company has incurred capital expenditures totalling $690,788. As a result, the Company was unable to complete the project on schedule. As a result, as at June 30, 2019, the amount of $505,047 initially recorded as a reduction of property, plant and equipment was reversed and a liability of $684,375, representing the amounts received by the Company, was recorded in trade and other payables.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Beaufor property

On May 7, 2020, the Company sold a 3% net smelter return royalty on gold production at the Beaufor mine to the Caisse de dépôt et placement du Québec ("CDPQ") for a cash consideration of $5,000,000. This amount will be payable in two installments: $3,000,000 at the closing of the transaction and $2,000,000 after 15,000 meters of drilling on the Beaufor property or within 60 days of the Beaufor mine going into production.

The royalty will be reduced from 3% to 2% (1% reduction) once the Company has repaid the capital invested by the CDPQ as royalty.

Monarch has the option to buy back 1% of the royalty sold in consideration of $2,500,000 for a period of five years following the closing of the transaction.

The sale of the royalty has been divided into two parts for accounting purposes:

i) Sale of a portion of the Beaufor mining property recorded in property, plant and equipment as control of a portion of future gold production is transferred to the purchaser;

ii) Financial liability, in accordance with IFRS 15, for the option to repurchase a portion of the royalty as control is not deemed to pass to the buyer due to the Company's right to exercise the repurchase option for a period of 5 years.

The proceeds of disposition were allocated among the various components based on the present value of the expected future cash flows of each component, discounted at the internal rate of return of the transaction. The $2,000,000 receivable was included in the proceeds of disposition and recorded in current assets at the time of the transaction as there are no additional transfer of assets or services related to it, the fulfillment of the conditions to be met is under the control of the Company and the fulfillment of these conditions in the near future is considered highly probable. The carrying value of the property, plant and equipment disposed of was determined as a percentage of the estimated net book value that was sold.

	DISPOSITION OF THE MINING PROPERTY	ROYALTY BUY-BACK OPTION	TOTAL
	$	$	$
Proceeds of disposition	3,684,668	1,315,332	5,000,000
Disposition of the mining property	(37,312)	–	(37,312)
Royalty buy-back option	–	(1,315,332)	(1,315,332)
Gain on disposal recognized in income	**3,647,356**	**–**	**3,647,356**

8. MINING PROPERTIES

PROPERTIES (1) (2)	JUNE 30, 2019	ACQUISITION	DISPOSAL	JUNE 30, 2020
	$	$		$
Wasamac	**14,717,771**	398,399	–	**15,116,170**
Fayolle	**–**	4,970,166	(4,927,678)	**42,488**
McKenzie Break(3)	**3,006,467**	753,619	–	**3,760,086**
Croinor Gold	**2,843,889**	30,000	–	**2,873,889**
Swanson (3)	**1,816,156**	69,584	–	**1,885,740**
Simkar Gold	**91,006**	–	(91,006)	**–**
Others	**147,855**	–	(147,855)	**–**
	22,623,144	**6,221,768**	**(5,166,539)**	**23,678,373**

PROPERTIES (1) (2)	JUNE 30, 2018	ACQUISITION	DISPOSAL	JUNE 30, 2019
	$	$		$
Wasamac (4)	14,463,252	254,519	–	14,717,771
Croinor Gold	2,843,889	–	–	2,843,889
McKenzie Break (3)(5)	2,558,624	447,843	–	3,006,467
Swanson (3)	1,705,749	110,407	–	1,816,156
Simkar Gold	91,006	–	–	91,006
Others	112,255	35,600	–	147,855
	21,774,775	848,369	–	22,623,144

(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 $173,211 was capitalized as an accretion expense during the year ended June 30, 2020 ($276,017 as at June 30, 2019).

(4) During the year ended June 30, 2019, the Company acquired land for an amount of $254,519.

(5) During the year ended June 30, 2019, an amount of $282,233 was recorded as an adjustment to the asset retirement obligations.

Year ended June 30, 2020:

Wasamac property

On May 19, 2020, the Company completed the acquisition of mining claims adjacent to the Wasamac property for a cash consideration of $22,000.

On November 27, 2019, the Company completed the acquisition of mining claims adjacent to the Wasamac property. In consideration, the Company issued 1,000,000 common shares at a price of $0.22. These shares are subject to restrictions on their transfer for a period of up to 12 months. In addition, the Company paid an amount of $75,000 on the closing date of the transaction and will pay an additional amount of $75,000 in May 2020.

8. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2020: (continued)

Wasamac property (continued)

The following table shows the purchase price allocation of the acquired assets:

	$
Fair value of consideration paid:	
Cash	75,000
Common shares issued	220,000
Balance of purchase price	75,000
Transaction costs	6,399
	376,399
Fair value of assets acquired:	
Mining properties	376,399

Fayolle property

On August 19, 2019, the Company completed the acquisition of a 100% interest in the Fayolle property from Hecla Québec Inc. ("Hecla") and Typhoon Exploration Inc. ("Typhoon"). In consideration, the Company issued 12,000,000 shares to Hecla subject to restrictions on their transfer for a period of up to 24 months. The Company issued 1,133,334 common shares to Typhoon on April 20, 2020 and must issue 1,133,333 common shares no later than 16 months after the closing date and 1,133,333 common shares no later than 24 months after the closing date. In addition, the Company paid $500,000 to Typhoon on the closing date and an additional $500,000 in December 2019. An additional amount of $150,000 must be paid 12 months after the closing date.

Since the number of shares to be issued to Typhoon is fixed and the creditor does not have the option to require cash repayment, the balance of purchase price is therefore considered to be an equity instrument and the shares are accounted for as shares to be issued at the closing price on August 19, 2019 (see note 13).

The following table shows the purchase price allocation of the acquired assets:

	$
Fair value of consideration paid:	
Cash	500,000
Common shares issued	3,000,000
Common shares to be issued	850,000
Balance of purchase price	650,000
Transaction costs	71,646
	5,071,646
Fair value of assets acquired:	
Equipment	101,480
Mining property	4,970,166
	5,071,646

8. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2020: (continued)

Fayolle property (continued)

On May 29, 2020, the Company sold the Fayolle property to Iamgold Corporation in consideration of 1,851,145 common shares for a total value of $9,514,885, an additional cash consideration of $300,000 upon transfer of ownership of a land lot and an additional cash consideration of $1,500,000 payable 90 days after the initial haulage of ore from the Fayolle deposit. The amount of $1,500,000 was discounted over a period of time representing the expected date of receipt at an interest rate of 5% for a total of $1,360,544 and included in the proceeds of disposition and recorded in non-current assets at the time of the transaction since control of the asset was transferred to the buyer and it was considered highly probable that the condition giving rise to the payment would be met. Accretion income will be recognized over the same period as investment income in the consolidated statement of net income. The total fair value of the consideration recorded at the time of the transaction is $10,875,429 and excludes the $300,000 related to the land lot since the transfer of ownership has not yet occurred. The Company realized a gain on disposal of non-financial assets of $4,988,415.

McKenzie Break property

On February 25, 2020, the Company completed the acquisition of mining claims adjacent to the McKenzie Break property. In consideration, the Company issued 3,300,000 common shares at a price of $643,500. These shares are subject to restrictions on their transfer for a period of up to 36 months.

The following table shows the purchase price allocation of the acquired assets:

	$
Fair value of consideration paid:	
Common shares issued	643,500
Transaction costs	6,492
	649,992
Fair value of assets acquired:	
Mining properties	649,992

Croinor property

On May 5, 2020, the Company completed the acquisition of mining claims adjacent to the Croinor property for a consideration of $30,000.

Simkar property

On December 13, 2019, the Company sold the Simkar Gold property to O3 Mining Inc. for a cash consideration of $140,000, 435,000 common shares valued at $1,122,300 and 435,000 warrants maturing in 3 years at an exercise price of $4.20 worth $452,400. The total fair value of the consideration received is $1,714,700. The Company realized a gain on disposal of non-financial assets of $236,199.

8. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2020: (continued)

Simkar property (continued)

The fair value of the warrants received was determined using the Black-Scholes valuation model with the following assumptions:

Share price at the time of issue	$2.58
Risk-free interest rate	1.65%
Expected dividend	nil
Expected volatility	80%
Expected life	3 years

Regcourt and Louvem properties

On March 16, 2020, the Company sold the Regcourt and Louvem properties to O3 Mining Inc. in consideration of 118,183 common shares for a value of $133,547 and an amount of $10,000 after the fulfillment of a related condition. The total fair value of the consideration received was $133,547. The Company realized a loss on disposal of non-financial assets of $69,040.

Monique property

On March 24, 2020, the Company sold the Monique property to Probe Metals Inc. in consideration of 1,275,510 common shares with a value of $854,592 and the transfer of asset retirement obligations with a carrying value of $1,426,699. The total fair value of the consideration received was $2,281,291. The Company realized a gain on disposal of non-financial assets of $2,281,291.

Sale of a royalty

On July 25, 2019, the Company sold a royalty for an amount of $350,000. The Company realized a gain on disposal of non-financial assets of $314,400.

Year ended June 30, 2019:

Sale of the royalty on the Chimo property

On June 18, 2019, the Company sold a 2% net smelter return royalty on certain claims on the Chimo property to Cartier Resources Inc. for $350,000. The Company realized a gain on disposal of non-financial assets of $350,000.

Chimo property

On September 7, 2018, the Company sold its 30% interest in the Chimo property, acquired following the acquisition of Richmont's mining assets, located in Québec, to Chalice Gold Mines Limited ("Chalice") for 3,000,000 fully paid common shares of Chalice, with a fair value of $390,000, and an NSR royalty of 0.5 and 1.5% (0.5% on claims with pre-existing royalty and 1.5% on all other claims). Chalice has the right to repurchase 0.5% of the Company's NSR for $1,000,000 at any time.

8. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2019: (continued)

Chimo property (continued)

Previously, in March 2018, Chalice exercised an option to acquire a 70% interest in the property in the context of an option agreement that would require, in exchange, exploration expenditures of $3,100,000, option payments of $200,000 and the granting to the Company of a 1% NSR on certain claims.

The Company realized a gain on disposal of non-financial assets of $390,000.

Sale of the East Amphi property royalty

On August 21, 2018, the Company sold a 2% net smelter return royalty to Canadian Malartic GP on the East Amphi property for $250,000. The Company realized a gain on disposal of non-financial assets of $250,000.

9. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are as follows:

	JUNE 30, 2019	EXPLORATION AND EVALUATION EXPENSES	DISPOSAL	JUNE 30, 2020
	$	$		**$**
Croinor Gold	**10 551 204**	3 504	–	**10 554 708**
Wasamac	**3 021 394**	392 746	–	**3 414 140**
McKenzie Break	**2 356 879**	1 033 509	–	**3 390 388**
Fayolle	**–**	959 336	(959 336)	**–**
Swanson	**181 742**	31 920	–	**213 662**
Simkar Gold	**1 387 495**	–	(1 387 495)	**–**
Others	**90 332**	–	(90 332)	**–**
	17 589 046	**2 421 015**	**(2 437 163)**	**17 572 898**

	JUNE 30, 2018	EXPLORATION AND EVALUATION EXPENSES	DISPOSAL	JUNE 30, 2019
	$	$		$
Croinor Gold	7,728,116	2,823,088	–	10,551,204
Wasamac	497,601	2,523,793	–	3,021,394
McKenzie Break	170,571	2,186,308	–	2,356,879
Swanson	116,233	65,509	–	181,742
Simkar Gold	1,367,652	19,843	–	1,387,495
Others	45,973	44,359	–	90,332
	9,926,146	7,662,900	–	17,589,046

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Exploration and evaluation assets by nature are as follows:

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Exploration and evaluation expenses:		
Salaries, supervision and consultants	**1,206,467**	3,438,102
Geology and geophysics	**689,908**	929,382
Test, sampling and prospecting	**74,542**	1,117,479
Drilling, equipment rental and other material	**448,804**	2,177,937
Lodging, meals and travel expenses	**1,294**	–
Increase in exploration and evaluation expenses	**2,421,015**	7,662,900
Disposal	**(2,437,163)**	–
Balance, beginning of year	**17,589,046**	9,926,146
Balance, end of year	**17,572,898**	17,589,046

10. LONG-TERM DEBT

	BALANCE OF PURCHASE PRICE				
	BEACON	MCKENZIE BREAK AND SWANSON	FAYOLLE AND OTHER	LEASES LIABILITIES	TOTAL
	$	$	$	$	$
Balance as at June 30, 2018	3,744,346	3,297,989	–	767,448	**7,809,783**
Accrued interest for the year	393,539	276,017	–	–	**669,556**
Repayment	–	(1,000,000)	–	(406,979)	**(1,406,979)**
Cost of modifying terms	191,379	–	–	–	**191,379**
Early repayment	–	(724,832)	–	–	**(724,832)**
Foreign exchange rate impact	(31,148)	–	–	–	**(31,148)**
Balance as at June 30, 2019	**4,298,116**	**1,849,174**	**–**	**360,469**	**6,507,759**
Adoption of IFRS 16 (Note 2)	–	–	–	95,040	**95,040**
New long-term debt (Note 8)	–	–	725,000	–	**725,000**
Accrued interest for the year	–	173,211	–	8,151	**181,362**
Repayment	–	(400,000)	(725,000)	(381,586)	**(1,506,586)**
Reclassification of accrued interest to other payables	(170,766)	–	–	–	**(170,766)**
Foreign exchange rate impact	170,899	–	–	–	**170,899**
Balance as at June 30, 2020	**4,298,249**	**1,622,385**	**–**	**82,074**	**6,002,708**
Current portion	**2,865,499**	**800,000**	**–**	**47,192**	**3,712,691**
Non-current portion	**1,432,750**	**822,385**	**–**	**34,882**	**2,290,017**

As at June 30, 2020, the balance of purchase price - Beacon payable in foreign currency is US$ 3,153,984 and bears interest at an annual rate of 10%.

The balances of purchase price are discounted at an effective rate of 10% per annum.

10. LONG-TERM DEBT (CONTINUED)

Principal payments for the coming years are as follows:

	BALANCE OF PURCHASE PRICE - BEACON (INCLUDING CAPITALIZED INTEREST)	BALANCE OF PURCHASE PRICE IN VARIABLES SHARES - MCKENZIE BREAK AND SWANSON	BALANCE OF PURCHASE PRICE IN CASH - MCKENZIE BREAK AND SWANSON	LEASES LIABILITIES	TOTAL
	$	$	$	$	$
2021	2,865,499	400,000	400,000	52,481	3,717,980
2022	1,432,750	600,000	400,000	36,800	2,469,550
	4,298,249	1,000,000	800,000	89,281	6,187,530
Financial expense	–	–	–	7,207	7,207
	4,298,249	1,000,000	–	82,074	6,180,323

Balance of variable share purchase price - McKenzie Break and Swanson

During the year ended June 30, 2019, the Company sold a 0.5% net smelter return royalty on the Pandora property (the "Pandora Royalty") to Agnico Eagle Mines Limited. In consideration for the Pandora royalty, the balance of purchase price for the McKenzie Break and Swanson properties acquired from Agnico Eagle Mines Limited will be reduced by $800,000, $600,000 as a share payment in December 2019 and $200,000 as a share payment in December 2020. The Company recorded a gain on disposal of non-financial assets of $724,832 during the year ended June 30, 2019, representing the present value of the decrease in future payments of the balance of purchase price.

Balance of purchase price – Beacon

During the year ended June 30, 2019, the Company took advantage of a clause in the Beacon plant acquisition agreement to defer repayment of the first three deferred payments by paying a 20% premium. The premium will be added to the three deferred payments being carried forward. The deferred payments deferred will then be payable in three equal instalments on the 48th, 54th and 60th months following the closing of the transaction, in addition to the deferred payment initially due at that time. The Company recorded a modification cost under a balance of purchase price of $191,379 in financial expenses during the year ended June 30, 2019.

11. OTHER LIABILITIES

	JUNE 30, 2020	JUNE 30, 2019
	$	$
Flow-through share liabilities	**481,210**	571,723
Royalty buy-back option	**1,343,792**	–
	1,825,002	571,723
Current portion	**481,210**	571,723
Non-current portion	**1,343,792**	–

The royalty buy-back option is accounted for as a financial instrument and the accretion expense is recognized as a financial expense in the consolidated statement of net income.

12. ASSET RETIREMENT OBLIGATIONS

The Company's production and exploration operations are subject to federal and provincial environmental protection laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment. The Company has recorded the asset retirement obligations of its mining sites on the basis of management's best estimates of future costs, based on information available at the reporting date. Best estimates of future costs are the amount the Company would reasonably pay to settle its obligation at the site closing date. Future costs are discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability. Such estimates are subject to change based on amendments to laws and regulations or as new events occur.

The inflation rate (adjusted for the risks specific to this liability) used to determine the future value of the bonds is based on the expected life of the mine and plants and is 3.1% (3.5% in 2019). The rate reflecting current market assessments used to determine the present value of the obligations is 0.5% (1.6% in 2019). The payment schedule was determined considering proven and probable reserves, the expected level of annual production and the estimated life of the mine and plants. The following table presents the estimated undiscounted cash flows resulting from the future restoration costs used in the calculation of the asset retirement obligations for the year ended June 30, 2020:

	TOTAL ESTIMATED CASH FLOW	EXPECTED TIMING OF CASH FLOW PAYMENT
	$	
Camflo Mill	**5,434,337**	2031 and subsequent
Beaufor Mine	**1,178,864**	2028 and subsequent
Beacon Mill	**3,380,198**	2028 and subsequent
Croinor Gold Project	**416,155**	2027 and subsequent
McKenzie Break Project	**282,233**	2030 and subsequent
	10,691,787	

12. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

A) FINANCIAL GUARANTEES

The following table shows the allocation of financial guarantees issued as at June 30, 2020 and June 30, 2019:

	JUNE 30, 2020	JUNE 30, 2019
	$	$
Camflo Mill	**3,339,423**	3,339,423
Beaufor Mine	**793,341**	793,341
Beacon Mill	**1,822,745**	1,805,380
Monique Mine [(1)]	**947,663**	947,663
McKenzie Break Project	**282,233**	–
Croinor Gold Project	**416,155**	416,155
	7,601,560	7,301,962
Cash deposit	**4,271,071**	4,253,706
Bond	**3,330,489**	3,048,256

[(1)] Although the sale of the Monique property took place in March 2020, administrative and site access delays mainly due to COVID-19 occurred with the MERN. Financial guarantees in the amount of $379,065 were received in August 2020. See Note 8 for more details on the disposition.

B) OBLIGATIONS ALLOCATION

The following table shows the allocation of asset retirement obligations as at June 30, 2020 and June 30, 2019:

	JUNE 30, 2020	JUNE 30, 2019
	$	$
Camflo Mill	**4,542,656**	4,472,325
Beaufor Mine	**1,032,591**	1,016,592
Beacon Mill	**2,960,676**	2,914,911
Monique Mine	–	1,663,690
Croinor Gold Project	**416,155**	416,155
McKenzie Break Project	**282,233**	282,233
	9,234,311	10,765,906

Changes in asset retirement obligations were as follows, for the following years:

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Balance, beginning of year	**10,765,906**	9,798,336
Disposal	**(1,426,699)**	–
New obligation	–	282,233
Accretion expense	**145,104**	197,644
Assumption changes	**(250,000)**	487,693
Balance, end of year	**9,234,311**	10,765,906

13. 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
				$
Balance as at June 30, 2018	24,081,009	233,052,967	–	63,237,031
Flow-through shares [ii]	–	9,090,212	–	2,102,870
Common shares related to the acquisition of an investment in shares (Note 5)	–	3,250,000	–	763,750
Common shares related to the repayment of a balance of purchase price (Note 10)	–	2,812,940	–	600,000
Common shares related to the acquisition of mining properties	–	170,000	–	27,300
Exercise of options	–	745,000	–	152,100
Warrants granted	118,182	–	–	9,454
Warrants expired	(8,571,430)	–	–	–
Balance as at June 30, 2019	**15,627,761**	**249,121,119**		**66,892,505**
Issuance of units	**11,291,250**	**22,582,500**	**–**	**5,419,800**
Common shares related to the acquisition of mining properties (Note 8)	**–**	**16,300,000**	**–**	**3,863,500**
Common shares issued and to be issued related to the acquisition of mining properties (Note 8)	**–**	**1,133,334**	**2,266,666**	**850,000**
Flow-through shares [i]	**–**	**4,000,000**	**–**	**720,000**
Exercise of options	**–**	**950,000**	**–**	**153,875**
Warrants expired	**(9,099,323)**	**–**	**–**	**–**
Balance as at June 30, 2020	**17,819,688**	**294,086,953**	**2,266,666**	**77,899,680**

i) The carrying value of flow-through shares is presented net of the liability for the flow-through share premium of $280,000 that was recorded on the issuance of the flow-through shares during the February 24, 2020 financing round.

ii) The carrying value of flow-through shares is presented net of the liability for the flow-through share premium of $896,900 that was recorded on the issuance of the flow-through share during the December 13, 2018, April 18, 2019 and April 26, 2019 financing rounds.

13. SHARE CAPITAL AND WARRANTS (CONTINUED)

Movements in the Company's share capital and warrants are as follows:

A) YEAR ENDED JUNE 30, 2020

On June 9, 2020, the Company closed a non-brokered private placement to issue 22,582,500 units at a price of $0.24 per unit for gross proceeds of $5,419,800. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.29 for a period of 36 months following the closing of the financing.

On February 24, 2020, the Company closed a non-brokered private placement to issue 4,000,000 flow-through shares at a price of $0.25 per flow-through share for gross proceeds of $1,000,000. The carrying value of these flow-through shares is presented net of the liability related to the $280,000 flow-through share premium that was recorded upon issuance of the shares.

During the year ended June 30, 2020, 950,000 stock options were exercised at a price between $0.12 and $0.13 per common share, while the closing market price of the shares, during the same period, varied between $0.12 and $0.38. The Company's stock options are exercisable at a price between $0.12 and $0.13 per common share.

B) YEAR ENDED JUNE 30, 2019

On May 9, 2019, the Company acquired 6,500,000 shares of Unigold Inc. from an investor for a total consideration of $763,750 paid by the issuance of 3,250,000 common shares of the Company.

On April 18, 2019 and April 26, 2019, the Company completed, without the assistance of a broker, a private placement to issue 3,636,364 flow-through shares and 2,424,242 flow-through shares, respectively, at a price of $0.33 per flow-through share, for gross proceeds of $1,200,000 and $800,000 respectively. The carrying value of these flow-through shares is presented net of the liability for the flow-through share premium of $593,939 recorded at the share issuance date. As at June 30, 2019, the balance of the flow-through share premium liability related to the April 18, 2019 and April 26, 2019 financings was $571,723.

On January 8, 2019, the Company issued 2,812,940 common shares in payment of a balance of purchase price representing $600,000.

On December 13, 2018, the Company closed, without the services of a broker, a private placement to issue 3,029,606 flow-through shares at a price of $0.33 per flow-through share, for gross proceeds of $999,770. The carrying value of these flow-through shares is presented net of the $302,961 flow-through share premium liability recorded at the share issuance date. As at June 30, 2019, there are no liabilities related to the flow-through share premium related to the December 13, 2019 financing.

During the year ended June 30, 2019, 745,000 stock options were exercised at prices between $0.08 and $0.15 per common share, while the closing share market prices during the same period varied from $0.15 to $0.22.

13. SHARE CAPITAL AND WARRANTS (CONTINUED)

C) 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:

	YEAR ENDED JUNE 30, 2020		YEAR ENDED JUNE 30, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	**14,528,111**	**0.51**	23,099,542	0.41
Granted	**11,291,250**	**0.29**	–	–
Expired	**(8,117,855)**	**0.56**	(8,571,430)	0.25
Outstanding, end of year	**17,701,506**	**0.35**	14,528,111	0.51

As at June 30, 2020, 6,410,256 warrants outstanding at an exercise price of $0.45 expire in March 2021 and 11,291,250 warrants outstanding at an exercise price of $0.29 expire in June 2023.

D) 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:

	YEAR ENDED JUNE 30, 2020		YEAR ENDED JUNE 30, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	**1,099,650**	**0.42**	981,468	0.45
Expired	**(981,468)**	**0.43**	–	–
Granted	–	–	118,182	0.33
Outstanding, end of year	**118,182**	**0.33**	1,099,650	0.42

The 118,182 warrants outstanding as at June 30, 2020 at an exercise price of $0.33 expire in April 2021.

The weighted average fair value of warrants granted to brokers during the year ended June 30, 2019 is $0.08 and is determined using the Black-Scholes pricing model with the following weighted average assumptions:

	YEAR ENDED JUNE 30, 2019
Risk-free interest rate	1.61%
Expected dividend rate	– %
Expected volatility	80%
Expected life	2 years

14. SHARE PURCHASE OPTIONS

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

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

The maximum number of common shares which may be reserved for issuance with regards to share purchase options to a single holder may not exceed 5% of the outstanding common shares at the time of vesting and may not exceed 2% of the outstanding common shares for consultants and investor relations representatives. These options are not assignable or transferable unless by legacy or inheritance and expire no later than five years after being granted. If an option holder leaves the Company, his options normally expire no later than one year following his departure, subject to the conditions established under the common share purchase option plan. The vesting period for the share purchase options and warrants to brokers varies from immediate vesting up to 36 months following the acquisition date and the life of the options varies from two to five years.

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

	YEAR ENDED JUNE 30, 2020		YEAR ENDED JUNE 30, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**8,910,000**	**0.30**	7,567,500	0.28
Granted	**3,045,000**	**0.25**	2,830,000	0.30
Expired	**(100,000)**	**0.37**	(120,000)	0.15
Cancelled	**(417,500)**	**0.29**	(622,500)	0.37
Exercised	**(950,000)**	**0.12**	(745,000)	0.13
Outstanding, end of year	**10,487,500**	**0.30**	8,910,000	0.30
Exercisable, end of year	**4,432,500**	**0.31**	4,336,250	0.26

14. SHARE PURCHASE OPTIONS (CONTINUED)

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

NUMBER OF OPTIONS OUTSTANDING AS AT JUNE 30, 2020		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	$	
75,000	75,000	0.10	November 2020
825,000	825,000	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
1,867,500	1,007,500	0.37	October 2022
200,000	100,000	0.37	December 2022
2,505,000	582,500	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
10,487,500	**4,432,500**		

For the year ended June 30, 2020, the application of the fair value model resulted in an expense of $358,663 ($415,176 in 2019).

The fair value of the share purchase options granted is established according to the Black-Scholes pricing model using the following assumptions:

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
Risk-free interest rate	**1.53%**	2.40%
Expected dividend rate	**– %**	– %
Expected volatility	**80%**	80%
Expected life of options	**5 years**	5 years
Weighted average price per share	**$0.21**	$0.30
Weighted average exercise price of options granted	**$0.25**	$0.30
Weighted average fair value of share purchase options granted during the year	**$0.12**	$0.19

15. CONTINGENCIES

A) The Company’s operations are governed by laws and regulations regarding environmental protection. Environmental consequences are difficult to identify in terms of level, impact and timing. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. Asset retirement obligations are accrued in the financial statements only when it can be determined that a present obligation exists that would give rise to environmental consequences for the exploration activities performed on the land, and when it can be reliably estimated. Such obligations will be capitalized to the cost of the related assets at that time.

15. CONTINGENCIES (CONTINUED)

B) 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 taking all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company. In such an event, the Company would indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

16. COMMITMENTS

The Company had the following commitments as at June 30, 2020:

A) ROYALTIES

Properties	Royalties on net smelter return (NSR)
Beaufor	➢ 1.0% payable after the Company has produced 100,000 ounces of gold ➢ 3.0% (1% reduction when royalties paid are greater than $5M and 1% redeemable for $2.5M until May 2025) ➢ Others
Camflo	➢ 1.0%
Croinor Gold	➢ 1.5%
McKenzie Break	➢ 1.5% (0.5% redeemable for $750,000)
Swanson	➢ 4.5% (0.5% redeemable for $750,000 and 1% redeemable for US $1M)
Wasamac..........................	➢ 1.5% (0.5% redeemable for $7.5M) ➢ 2.5% on adjacent claims (1.25% redeemable for $2M)

B) FLOW-THROUGH SHARES

During the year ended June 30, 2020, the Company has committed to spend, before December 31, 2021, an amount of $1,000,000 in eligible exploration and evaluation expenses, in accordance with the *Income Tax Act (Canada) and the Québec Taxation Act*, and to transfer these tax deductions to the subscribers of the flow-through share offering completed on February 24, 2020. In connection with this commitment, the Company has not made any accumulated eligible expenditures as at June 30, 2020. Consequently, the Company has $1,000,000 in funds reserved for exploration and evaluation and a $280,000 flow-through share liability as at June 30, 2020, recorded as other liabilities in the consolidated statement of financial position.

During the year ended June 30, 2019, the Company is committed to disbursing, before December 31, 2020, an amount of $2,000,000 in eligible exploration and evaluation expenses, in accordance with the *Income Tax Act (Canada) and the Québec Taxation Act*, and to transfer these tax deductions to the subscribers of the flow-through share investments completed on April 18 and April 26, 2019. In connection with this commitment, the Company has made cumulative eligible expenditures of $1,300,243 as at June 30, 2020. As a result, the Company has $699,757 in exploration and evaluation funds and a flow-through share liability of $481,210 as at June 30, 2020, accounted for as other liabilities in the consolidated statement of financial position.

17. REVENUES

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Precious metals sales	**6,655,312**	20,748,250
Contract milling sales	**–**	10,856,967
Others	**25,378**	47,652
	6,680,690	31,652,869

18. COST OF SALES

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Cost of production and processing	**2,553,365**	25,963,874
Definition drilling	**–**	87,047
Royalties	**–**	108,076
Amortization	**–**	1,143,524
	2,553,365	27,302,521

19. ADMINISTRATION

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Salaries, directors' fees and related benefits	**1,792,515**	2,886,137
Share-based payments	**358,663**	415,176
Consultants and professional fees	**772,140**	1,131,634
Office expense, maintenance and other expenses	**306,829**	437,972
Insurance, taxes and permits	**110,111**	555,021
Investor relations and representation expenses	**218,984**	501,072
Amortization	**78,790**	41,878
	3,638,032	5,968,890

20. CARE AND MAINTENANCE

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Beaufor and Camflo	**3,549,696**	–
Beacon	**192,955**	302,137
	3,742,651	302,137

21. FINANCE EXPENSE

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Interest on long-term debt	**275,881**	130,446
Accretion expense on asset retirement obligations	**145,104**	197,644
Accretion expense on a royalty buy-back option	**28,460**	–
Cost of modifying the term of a balance of purchase price	**–**	191,379
Adjustments related to asset retirement obligations	**(250,000)**	42,188
Others	**81,430**	41,407
	280,875	603,064

22. OTHER INCOME

During the year ended June 30, 2019, the Company was notified that it held an investment in shares arising from a previous transaction. The Company received shares valued at $874,876 and $326,400 in cash. Since these assets were not identifiable at the time of the initial transaction, the value of the assets received has been recorded as "Other income" in the consolidated statement of net earnings and comprehensive income.

23. OTHER CASH FLOW INFORMATION

Change in non-cash working capital items:

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Commodity taxes and other receivables	**523,358**	224,597
Inventory	**1,078,566**	365,738
Prepaid expenses and deposits	**438,257**	(163,002)
Trade and other payables	**(2,057,611)**	(4,036,147)
	(417,430)	(3,608,814)

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Non-cash items:		
Change in trade and other payables related to exploration and evaluation assets	**222,401**	914,500
Issuance of shares related to the acquisition of mining properties and a royalty	**4,713,500**	627,300
Issuance of shares related to the acquisition of investments	**–**	763,750
Capitalized interest on property, plant and equipment	**423,901**	393,539
Capitalized interest on mining properties	**173,211**	276,017
Investments received in connection with the disposal of mining properties (Note 8)	**12,077,724**	–
Other income recorded in investments	**–**	874,876

24. COMPENSATION

A) TOTAL COMPENSATION

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Salaries, directors' fees, premiums and other benefits	**3,922,769**	12,529,947
Share-based payments	**358,663**	415,176
Defined contribution plan	**95,044**	428,262
Government plans	**411,504**	1,638,173
	4,787,980	15,011,558

As at June 30, 2020, trade and other payables included an amount of $620,946 payable for salaries and other benefits ($1,054,014 as at June 30, 2019).

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:

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Salaries, directors' fees, premiums and other benefits	**1,283,733**	1,045,338
Defined contribution plan	**23,237**	36,674
Government plans	**78,686**	67,982
Share-based payments	**294,104**	311,382
	1,679,760	1,461,376

During the year ended June 30, 2020, key management personnel exercised 950,000 options (745,000 in 2019) with a total exercise price of $116,000 ($98,000 in 2019).

25. IMPAIRMENT OF NON-FINANCIAL ASSETS

As at June 30, 2020, the Company has determined that there were no significant events or changes in circumstances that indicated that the carrying value of its non-current assets may not be recoverable. As such, no impairment test was performed, and no impairment loss was recognized during the year ended June 30, 2020 (nil in 2019).

In fact, although there are assets in care and maintenance as at June 30, 2020, CDPQ's investment in Beaufor and the expected impacts on other assets offset the indicators of impairment that had been identified as at June 30, 2019.

26. DEFERRED INCOME AND MINING TAXES

The income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.55 % (26.65% in 2019) to the profit before income taxes due to the following:

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Earnings before income taxes	**11,108,607**	2,177,244
Expected tax recovery	**2,949,335**	580,234
Increase in income taxes resulting from:		
Non-deductible share-based payment	**95,225**	110,644
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	**642,779**	1,421,597
Non-deductible expenses and other	**81,886**	161,877
Non-taxable portion of gain on disposal of mining assets	**(1,263,101)**	–
Change in unrecognized tax assets	**–**	192,657
Deduction of mining tax recovery	**684**	(269,883)
Permanent difference arising from non-taxable income related to flow-through shares	**(98,371)**	(457,759)
Deferred mining tax expense	**52,797**	1,011,717
Recognition of previously unrecognized tax benefits	**(423,625)**	(844,212)
Non-taxable income	**(316)**	(126,125)
Non-taxable change in fair value of investments	**(461,620)**	(162,654)
Others	**–**	73,246
Income tax expense	**1,575,673**	1,691,339

26. DEFERRED INCOME AND MINING TAXES (CONTINUED)

Movements in temporary differences during the years ended June 30, 2020 and June 30, 2019 are detailed as follows:

	BALANCE AS AT JUNE 30, 2019	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN SHAREHOLDERS' EQUITY	BALANCE AS AT JUNE 30, 2020
	$	$	$	$
Deferred income tax assets				
Property, plant and equipment	**1,333,492**	(7,943)	–	**1,325,549**
Operating losses	**4,331,071**	1,278,309	–	**5,609,380**
Asset retirement obligations	**2,695,066**	(357,891)	–	**2,337,175**
Share issuance costs	**253,097**	(110,545)	20,698	**163,250**
	8,612,726	801,930	20,698	**9,435,354**
Deferred income tax liabilities				
Deferred mining taxes	**(4,754,620)**	(346)	–	**(4,754,966)**
Investments	**(158,000)**	(1,418,000)	–	**(1,576,000)**
Mining properties	**(3,302,443)**	(713,231)	–	**(4,015,674)**
Property, plant and equipment	**(1,602,768)**	(264,645)	–	**(1,867,413)**
Exploration and evaluation assets	**(3,996,005)**	4,208	–	**(3,991,797)**
Long-term debt and other	**(122,888)**	69,791	–	**(53,097)**
	(13,936,724)	(2,322,223)	–	**(16,258,947)**
	(5,323,998)	(1,520,293)	20,698	**(6,823,593)**

	BALANCE AS AT JUNE 30, 2018	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN SHAREHOLDERS' EQUITY	BALANCE AS AT JUNE 30, 2019
	$	$	$	$
Deferred income tax assets				
Property, plant and equipment	**1,279,994**	53,498	–	**1,333,492**
Operating losses	**2,757,176**	1,573,895	–	**4,331,071**
Asset retirement obligations	**2,513,916**	181,150	–	**2,695,066**
Share issuance costs	**174,890**	41,207	37,000	**253,097**
	6,725,976	1,849,750	37,000	**8,612,726**
Deferred income tax liabilities				
Deferred mining taxes	**(3,904,058)**	(850,562)	–	**(4,754,620)**
Investments	**–**	(158,000)	–	**(158,000)**
Mining properties	**(3,263,931)**	(38,512)	–	**(3,302,443)**
Property, plant and equipment	**(1,300,717)**	(302,051)	–	**(1,602,768)**
Exploration and evaluation assets	**(1,962,295)**	(2,033,710)	–	**(3,996,005)**
Long-term debt and other	**(199,033)**	76,145	–	**(122,888)**
	(10,630,034)	(3,306,690)	–	**(13,936,724)**
	(3,904,058)	**(1,456,940)**	**37,000**	**(5,323,998)**

26. DEFERRED INCOME AND MINING TAXES (CONTINUED)

Deferred tax assets have not been recognized in respect of the following items:

	BALANCE AS AT JUNE 30, 2020 $	BALANCE AS AT JUNE 30, 2019 $
Non-capital loss carry-forwards	**–**	423,625

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company could utilize benefits therefrom.

Trade and other payables include $408,123 as at June 30, 2020 ($352,743 as at June 30, 2019) of income taxes and mining taxes payable.

27. EARNINGS PER SHARE

	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019
	$	$
Net earnings	**9,532,934**	485,905
Weighted average number of basic ordinary shares	**264,247,880**	238,021,401
Common shares to be issued	**2,266,666**	–
Dilutive effect of share purchase options	**582,086**	1,032,527
Weighted average number of basic ordinary shares	**267,096,632**	239,053,928

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

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 June 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.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

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 JUNE 30, 2020	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	$	$	$	$	$
Financial assets measured at fair value					
Available-for-sale investments	14,939,261	14,939,261	14,545,138	394,123	–
Financial liabilities measured at amortized cost					
Balance of purchase price	5,920,634	5,920,634	–	–	5,920,634
Royalty buy-back option	1,343,792	1,343,792	–	–	1,343,792

AS AT JUNE 30, 2019	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	$	$	$	$	$
Financial assets measured at fair value					
Available-for-sale investments	2,326,036	2,326,036	2,326,036	–	–
Financial liabilities measured at amortized cost					
Balance of purchase price	6,147,290	–	–	–	6,147,290

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 are described hereafter:

A) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Company’s income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash equivalents and trust deposits bear interest at a fixed rate. In connection with these, the Company is exposed to a limited change in fair value as they are redeemable at any time or the Company intends to use them in the short term for its operations. The Company's exposure to cash flow risk related to the interest rate on its non-current financial liabilities is limited, as one of the amounts payable under the balance of purchase price bears interest at a fixed rate and the other does not bear interest.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

A) Market risk (continued)

Currency risk

Exposure to currency exchange rates arises from revenues from the sale of precious metals and purchases that the Company carries out in foreign currencies. Precious metal revenues are either earned in or based on US dollar precious metal prices, while most operating costs are in Canadian dollars. Since the price of gold is established in US dollars, the Company may manage its exposure to this risk by occasionally entering into various types of foreign exchange contracts or completing sales directly in Canadian dollars with institutions. As at June 30, 2020, US dollar-denominated financial instruments consisted of the amounts payable under the balance of purchase price.

The balance of the purchase price including capitalized interest, denominated in U.S. dollars, amounts to CA$4,298,249 (US$3,153,984) as at June 30, 2020 and CA$4,298,116 (US$3,284,265) as at June 30, 2019. The Company has not entered into any foreign exchange contracts to mitigate this risk.

A 5% increase or decrease in the U.S. dollar at the closing date would have had the effect, assuming that all other variables, particularly interest rates, remained constant, of increasing (decreasing) the value of the balance of the purchase price by $214,912 as at June 30, 2020 ($164,213 as at June 30, 2019).

Gold commodity price risk

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 Company accounts for all derivative instruments at fair value, except for certain derivative instruments that qualify for the exception relating to purchases and sales in the normal course of business.

As at June 30, 2020, the Company had not entered into any forward contracts, while it had the following contracts hedging its gold production as at June 30, 2019:

	JUNE 30, 2019	
Expiration	**Forward contacts**	
	(ounces)	($)
July 2019	(200)	1,878
Balance as at June 30, 2019	(200)	

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

B) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents and the carrying amount of these financial assets represents the Company's maximum exposure to credit risk as at the date of the consolidated financial statements. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and the Government of Canada. In the case of the balance of sale, the Company performs a credit analysis or ensures that it has sufficient collateral in the event of non-payment by the third party to cover the net book value of the balance of sale.

C) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the financial obligations associated with its financial liabilities as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 29. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2020, all of the Company's financial liabilities and other obligations were due within the next 12 months (except for the balance of purchase price payable and the royalty buy-back option) and the Company had sufficient funds available to meet its current financial liabilities.

The following table shows the Company's financial liabilities based on the contractual maturities, including any interest payable, as at June 30, 2020:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	$	$	$	$	$
Trade and other payables	2,503,392	2,503,392	2,503,392	–	–
Balance of purchase price payable in cash	5,920,634	5,098,249	3,265,499	1,832,750	–
Royalty buy-back option	1,343,792	2,500,000	–	–	2,500,000
	9,767,818	**10,101,641**	**5,768,891**	**1,832,750**	**2,500,000**

D) Price risk

The Company is exposed to the risk of changes in share prices due to its investments in other companies. Investments are affected by various underlying factors, including commodity prices. Based on the investments held by the Company as at June 30, 2020, a 5% increase (decrease) in the share price of these investments would have increased (decreased) net earnings by $746,963 for the year ended June 30, 2020. Based on the investments held by the Company as at June 30, 2019, a 5% increase (decrease) in the share price of these investments would have increased (decreased) net earnings by $181,158 for the year ended June 30, 2019.

29. CAPITAL MANAGEMENT

As at June 30, 2020, the Company's capital consists of shareholders' equity and long-term debt amounting to $71,987,999 ($51,689,562 as at June 30, 2019).

The Company's capital management objective is to have sufficient capital to be able to pursue its exploration activities plan in order to ensure the growth of its assets. It also aims to have sufficient liquidity to finance its exploration expenses, investing activities and working capital requirements.

In order to maintain or adjust the capital structure, the Company may issue new capital instruments, obtain debt financing and acquire or sell mining properties to improve its financial performance and flexibility.

Access to financing depends on the economic situation and equity and credit market conditions.

The Company is subject to regulatory requirements related to the use of funds obtained by flow-through share financing. These funds must be used for eligible exploration expenses in accordance with the *Income Tax Act of Canada* and *Taxation Act of Québec* (see Note 16 B)). During the year, the Company complied with all its regulatory requirements. The Company has no dividend policy.

30. SUBSEQUENT EVENTS

Balance of purchase price Beacon

As at September 23, 2020, the Company fully repaid the balance of purchase price related to the Beacon property.

Financing

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.