



**NOTICE OF MEETING
AND
MANAGEMENT INFORMATION CIRCULAR**

**RELATING TO THE
ANNUAL AND SPECIAL MEETING OF SECURITYHOLDERS
OF MONARCH GOLD CORPORATION**

TO BE HELD ON DECEMBER 30, 2020

Dated as of November 30, 2020

These materials are important and require your immediate attention. The securityholders of Monarch Gold Corporation are required to make important decisions. If you have questions as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisor. If you have any questions or require more information with respect to voting your Monarch Shares or, as applicable, your Monarch Options at the Meeting, please contact our Proxy Solicitation Agent, Laurel Hill Advisory Group, by email at assistance@laurelhill.com or by telephone at 1-877-452-7184 (North American Toll-Free), or 1-416-304-0211 (Outside North America).



November 30, 2020

Dear Shareholders and Optionholders of Monarch Gold Corporation:

You are invited to attend the annual and special meeting (the “**Meeting**”) of the shareholders (the “**Monarch Shareholders**”) and optionholders (the “**Monarch Optionholders**”), and together with the Monarch Shareholders, the “**Monarch Securityholders**”) of Monarch Gold Corporation (“**Monarch**”) to be held at 9:30 a.m. (Eastern time) on December 30, 2020. In order to address potential issues arising from the unprecedented public health impact of the novel coronavirus (COVID-19) pandemic, and to comply with applicable public health directives that may be in force at the time of the Meeting as well as to limit and mitigate risks to the health and safety of our communities, Monarch Securityholders, employees, directors and other stakeholders, the Meeting will be held in a virtual format, which will be conducted via live webcast online at <https://web.lumiagm.com/201893367> (password: monarch2020). Monarch Securityholders will not need to, or be able to, physically attend the Meeting. Monarch Securityholders will have an equal opportunity to attend, ask questions and vote at the Meeting online regardless of their geographic location. Inside this document, you will find important information and instructions about how to participate in the Meeting.

THE ARRANGEMENT

In addition to the annual meeting matters to be approved by the Monarch Shareholders at the Meeting as set out in the attached notice of meeting (the “**Notice**”), the Monarch Securityholders will be asked to consider and vote upon a proposed arrangement (the “**Arrangement**”), contemplated by the arrangement agreement entered into between Monarch and Yamana Gold Inc. (“**Yamana**”) on November 1, 2020, as amended on November 19, 2020 (the “**Arrangement Agreement**”). Pursuant to the Arrangement, Monarch Shareholders will receive, in respect of each common share of Monarch (a “**Monarch Share**”) held:

- \$0.192 in cash from Yamana;
- 0.0376 of a common share of Yamana (each whole share, a “**Yamana Share**”); and
- 0.20 of a common share (each whole share, a “**SpinCo Share**”) of Corporation Minière Monarch/Monarch Mining Corporation (“**SpinCo**”) (collectively, the “**Consideration**”).

SIGNIFICANT PREMIUM TO MONARCH SHAREHOLDERS

The 0.0376 of a Yamana Share offered for each Monarch Share represents a value of \$0.288 per Monarch Share based on the volume weighted average price of the Yamana Shares on the Toronto Stock Exchange (the “**TSX**”) for the 20 trading days ending on October 30, 2020, the trading day immediately prior to the execution and announcement of the Arrangement Agreement. This represents a 43% premium to the closing price of Monarch Shares on the TSX on October 30, 2020, and a premium of 43% to the volume weighted average price of the Monarch Shares on the TSX for the 20-day period ending on October 30, 2020. The 0.20 of a SpinCo Share represents a value of \$0.15 (with each full share having a value of \$0.75 per share).

On completion of the Arrangement, Yamana will hold Monarch’s current interests in the Wasamac property and the Camflo property and mill through its acquisition of all of the outstanding Monarch Shares, and SpinCo will hold a significant portfolio of advanced exploration assets in the prolific Abitibi mining camp, a fully permitted 750 tonnes per day mill, and the past producing Beaufor mine. A more detailed description of the Arrangement and SpinCo is set forth in the attached Management Information Circular (the “**Circular**”).

On completion of the Arrangement, Monarch Shareholders will own approximately 1.3% of Yamana and 100% of SpinCo, and Yamana will own 100% of Monarch.

OTHER BENEFITS OF THE ARRANGEMENT TO MONARCH SHAREHOLDERS

In reaching its conclusions and formulating its recommendation, the Board of Directors of Monarch (the “**Monarch Board**”) consulted with representatives of Monarch’s management team and its legal and financial advisors. The Monarch Board also reviewed a significant amount of technical, financial and operational information relating to Monarch and Yamana and considered a number of factors and reasons, including those listed below. The following is a summary of the principal reasons for the unanimous (with the exception of Mr. Yohann Bouchard, who, having declared his interest as an officer of Yamana, did not participate in the meetings or vote with respect to the Arrangement or the Arrangement Agreement) determination of the Monarch Board that the Arrangement is fair to the Monarch Shareholders and is in the best interests of Monarch and the recommendation of the Monarch Board that Monarch Securityholders vote **FOR** the Arrangement Resolution (as defined herein):

- **Benefits of Owning Yamana Shares.** The Yamana Shares to be received by Monarch Shareholders in the Arrangement offer Monarch Shareholders an opportunity to own shares in a high-quality, low-cost gold producer, as well as exposure to Yamana’s portfolio of well-diversified assets in safe jurisdictions throughout the Americas.
- **Continued Exposure to Other Monarch Assets.** Monarch Shareholders, through their ownership of SpinCo Shares, will have continued exposure to the other Monarch assets being transferred to SpinCo.
- **Access to Capital and Enhanced Capital Markets Exposure.** Yamana has a strong balance sheet with sufficient cash and liquidity to advance its assets. The management team and board of directors of Yamana have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support for Yamana and the Wasamac property.
- **Fairness Opinion.** Stifel Nicolaus Canada Inc., as financial advisor to Monarch, provided its opinion to the Monarch Board to the effect that, as of November 1, 2020, and subject to the assumptions, limitations and qualifications set out in the fairness opinion, the Consideration to be received by Monarch Shareholders under the Arrangement is fair, from a financial point of view, to Monarch Shareholders other than Yamana.
- **Alternatives to the Arrangement.** Prior to entering into the Arrangement Agreement, Monarch regularly evaluated business and strategic opportunities with the objective of maximizing shareholder value in a manner consistent with the best interests of Monarch. As part of that process, Monarch entered into a number of confidentiality agreements with various mining companies over the past several years in order to allow for preliminary discussions to occur regarding potential transactions to maximize value for Monarch Shareholders. The Monarch Board assessed the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of Monarch should it continue as a standalone entity, including the challenges faced by Monarch in sourcing the capital required for its business and development objectives on reasonable commercial terms, the lack of potential sources of such capital and the costs and expected significant dilution to Monarch Shareholders that would likely result from obtaining such capital. The Monarch Board, with the assistance of its legal and financial advisors, assessed the alternatives reasonably available to Monarch and determined that the Arrangement represents the best current prospect for maximizing value for Monarch Shareholders.

SUPPORT AGREEMENTS

The directors and senior officers of Monarch, holding in aggregate approximately 2.75% of the issued and outstanding Monarch Shares as of the date hereof, have entered into voting support agreements (“**Support Agreements**”) with Yamana pursuant to which they have agreed, subject to the terms of those agreements, to vote in favour of the Arrangement. Certain larger Monarch Shareholders have also entered into Support Agreements pursuant to which approximately 17.55% of the issued and outstanding Monarch Shares as of the date hereof are expected to be voted by such Monarch Shareholders in support of the Arrangement.

REQUIRED APPROVALS

In order to become effective, the resolution of the Arrangement (the “**Arrangement Resolution**”) must be approved by (i) at least 66⅔% of the votes cast by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) a simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any “interested party”, any “related party” of an “interested party” or any “joint actor” of the foregoing (as such terms are defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions or under Regulation 61-101 respecting protection of Minority Security Holders in Special Transactions, collectively* (“**MI 61-101**”)), which also satisfies the TSX requirement that the Arrangement be approved by the Monarch Shareholders without taking into account the votes of Monarch Optionholders. Completion of the Arrangement is also subject to certain customary conditions, including the approval of the TSX, the New York Stock Exchange, the London Stock Exchange and the Québec Superior Court (commercial division) in the district of Québec (“**Court**”).

BOARD RECOMMENDATION

After consulting with Monarch management and with its financial and legal advisors, and after considering, among other things, the opinion of Stifel Nicolaus Canada Inc. dated November 1, 2020, to the effect that, as of such date, and subject to the assumptions, limitations and qualifications set out in such opinion, the Consideration to be received by Monarch Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Monarch Shareholders other than Yamana, the Monarch Board unanimously (with the exception of Mr. Yohann Bouchard who, having declared his interest as an officer of Yamana, did not participate in the meetings or vote with respect to the Arrangement or the Arrangement Agreement) determined that the Arrangement is fair to the Monarch Shareholders and that the Arrangement is in the best interest of Monarch. **The Monarch Board unanimously (with the exception of Mr. Yohann Bouchard) recommends that Monarch Securityholders vote FOR the Arrangement.** The attached Circular contains a detailed description of the reasons for the determinations and recommendations of the Monarch Board.

The Monarch Board unanimously recommends that Monarch Shareholders vote **FOR** the Shareholder Matters. Monarch Optionholders are only entitled to vote on the Arrangement Resolution.

The attached Circular contains a detailed description of the Arrangement and the Shareholder Matters and includes certain other information to assist you in considering the matters to be voted upon. You are urged to carefully consider all of the information in the accompanying Circular. If you require assistance, you should consult your financial, legal or other professional advisors.

Your vote is important regardless of the number of Monarch Shares and/or Monarch Options you own.

Monarch has retained Laurel Hill Advisory Group to assist in securing the return of completed proxies and to solicit proxies in favour of the Arrangement Resolution. If you have any questions, please contact Laurel Hill Advisory Group by email at assistance@laurelhill.com or by telephone at 1-877-452-7184 (North American Toll-Free) or 1-416-304-0211 (Outside North America).

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While certain matters, such as the timing of the receipt of Court approval for the Arrangement, are beyond the control of Monarch, if the Arrangement Resolution is passed by the requisite (i) 66⅔% of the votes cast by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any “interested party”, any “related party” of an “interested party” or any “joint actor” of the foregoing (as such terms are defined under MI 61-101), it is anticipated that the Arrangement will be completed and become effective as soon as practicable following receipt of the Final Order.

On behalf of Monarch, our management team and the Monarch Board, I would like to thank all Monarch Securityholders for their continuing support.

Sincerely,

“Jean-Marc Lacoste”

Jean-Marc Lacoste
President, Chief Executive Officer
and Director of Monarch Gold Corporation



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the annual and special meeting (the “**Meeting**”) of the shareholders (the “**Monarch Shareholders**”) and optionholders (the “**Monarch Optionholders**”, and together with the Monarch Shareholders, the “**Monarch Securityholders**”) of Monarch Gold Corporation (“**Monarch**”) to be held at 9:30 a.m. (Eastern time) on December 30, 2020, for the following purposes:

1. for Monarch Securityholders to consider, pursuant to an interim order of the Québec Superior Court (commercial division) in the district of Québec dated November 30, 2020 (the “**Interim Order**”) and, if thought advisable, to pass, with or without amendment, a special resolution (the “**Arrangement Resolution**”), the full text of which is set forth in Appendix A to the accompanying management information circular (the “**Circular**”), to approve a plan of arrangement (the “**Arrangement**”) under section 192 of the *Canada Business Corporations Act* (“**CBCA**”) whereby, among other things, Yamana Gold Inc. (“**Yamana**”) will acquire all of the issued and outstanding common shares of Monarch, following the transfer of certain assets and liabilities of Monarch (the “**Spin-Out**”) to a newly incorporated corporation, Corporation Minière Monarch/Monarch Mining Corporation (“**SpinCo**”), all as more particularly described in the Circular;
2. for Monarch Shareholders to receive the annual consolidated financial statements of Monarch for the year ended June 30, 2020 and the external auditors’ report thereon;
3. for Monarch Shareholders to elect the directors of Monarch to serve for the ensuing year;
4. for Monarch Shareholders to appoint KPMG LLP as the external auditors of Monarch and to authorize the directors to set the auditors’ compensation;
5. subject to the approval of the Arrangement Resolution, for Monarch Shareholders, to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution, the full text of which is set out in the Circular, to approve the adoption of a stock option plan for SpinCo (the “**SpinCo Option Plan**”) and to approve all unallocated stock option entitlements under the SpinCo Option Plan set out in Appendix G hereto;
6. subject to the approval of the Arrangement Resolution, for Monarch Shareholders, to consider and, if thought advisable, to pass, with or without amendment, an ordinary resolution, the full text of which is set out in the Circular, to approve the adoption of a restricted share unit plan for SpinCo (the “**SpinCo RSU Plan**”) and to approve all unallocated share unit entitlements under the SpinCo RSU Plan set out in Appendix H hereto; and
7. to transact such further or other business as may properly come before the Meeting or any adjournment or postponement thereof.

Monarch Optionholders are only entitled to vote upon the Arrangement Resolution.

The Circular provides additional information relating to the matters to be addressed at the Meeting, including the Arrangement, and is deemed to form part of this Notice of Meeting.

The record date for the determination of Monarch Securityholders entitled to receive notice of and to vote at the Meeting is November 30, 2020 (the “**Record Date**”). Only Monarch Securityholders whose names have been entered in the register of Monarch Shareholders or Monarch Optionholders as of the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting.

Registered Monarch Shareholders and Monarch Optionholders as of the Record Date are entitled to vote at the Meeting either virtually or by proxy. Registered Monarch Shareholders and Monarch Optionholders who are unable to attend the Meeting virtually are encouraged to read, complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Circular. In order to be valid for use at the Meeting, proxies must be received by Computershare Investor Services Inc., at its office at 100 University Avenue 8th Floor, Toronto, Ontario M5J 2Y1, or by fax numbers: 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America), at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment or postponement thereof. The time limit for the deposit of proxies may be waived or extended by the Chairperson of the Meeting at his or her discretion without notice.

If you are a non-registered Monarch Shareholder, please refer to the section in the Circular entitled “*General Proxy Information – Non-Registered Holders*” for information on how to vote your Monarch Shares. **If you are a non-registered Monarch Shareholder and you do not complete and return the materials in accordance with such instructions, you may lose the right to vote at the Meeting.**

Registered Monarch Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their Monarch Shares in accordance with the provisions of section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order. A Monarch Shareholder’s right to dissent is more particularly described in the Circular and the text of section 190 of the CBCA is set forth in Appendix K to the Circular. Please refer to the Circular under the heading “*Dissent Rights*” for a description of the right to dissent in respect of the Arrangement Resolution.

Failure to strictly comply with the requirements set forth in section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, with respect to the Arrangement may result in the loss of any right to dissent. Persons who are beneficial owners of Monarch Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered Monarch Shareholders are entitled to dissent. Accordingly, a beneficial owner of Monarch Shares desiring to exercise the right to dissent must make arrangements for the Monarch Shares beneficially owned by such holder to be registered in such holder’s name prior to the time the written objection to the Arrangement Resolution is required to be received by Monarch or, alternatively, make arrangements for the registered Monarch Shareholders of the Monarch Shares beneficially owned by such holder to dissent on behalf of the holder.

DATED at Québec, Québec this 30th day of November, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS
OF MONARCH GOLD CORPORATION**

“Jean-Marc Lacoste”

Jean-Marc Lacoste

President, Chief Executive Officer and Director

FREQUENTLY ASKED QUESTIONS ABOUT THE ARRANGEMENT AND THE MEETING

The following sets out answers to certain questions that you, as a Monarch Securityholder, may have relating to the Meeting. These questions and answers do not provide all of the information relating to the Meeting or the matters to be considered at the Meeting and are qualified in their entirety by the more detail information contained elsewhere in, or incorporated by reference into, this Circular. You are urged to read this Circular in its entirety including the Appendices hereto, the form of proxy and the Letter of Transmittal (if applicable) before making a decision related to your Monarch Shares and/or Monarch Options. All capitalized terms used herein have the meanings ascribed to them in the “Glossary of Terms” in this Circular.

General Questions

Q: When and Where is the Meeting?

A: The meeting will be held on December 30, 2020 at 9:30 a.m. (Eastern time). In light of the recent coronavirus (COVID-19) pandemic and in order to address potential issues arising from the unprecedented public health impact of COVID-19, comply with applicable public health directives that may be in force at the time of the Meeting and to limit and mitigate risks to the health and safety of our communities, Monarch Securityholders, employees, directors and other stakeholders, the Meeting will be held in a virtual format, which will be conducted via live webcast online at <https://web.lumiagm.com/201893367> (password: monarch2020).

Q: Who can attend and vote at the Meeting and what is the quorum of the Meeting?

A: Only Registered Holders and Monarch Optionholders of record as of the close of business on November 30, 2020, the Record Date for the Meeting, are entitled to receive notice of and to attend virtually and vote at the Meeting, or any adjournment(s) or postponement(s) of the Meeting.

In accordance with Monarch’s general by-laws and subject to the provisions of the CBCA and any regulation or order adopted thereunder, quorum for a shareholder meeting, including the Meeting, is one or more persons holding or representing 10% of the voting rights attached to the issued and outstanding Monarch Shares entitled to vote at such meeting.

Q: How many Monarch Securities are entitled to vote?

A: As of the Record Date, there were 321,200,833 Monarch Shares and 12,175,000 Monarch Options outstanding and entitled to be voted at the Meeting. Each Registered Holder is entitled to one vote for each Monarch Share held by such holder and each Monarch Optionholder is entitled to one vote for each Monarch Share issuable upon exercise of each Monarch Option held by such holder. The Monarch Shareholders and the Monarch Optionholders will vote together as a single class.

Arrangement Questions

Q: What is the Arrangement?

A: On November 1, 2020, Monarch and Yamana entered into the Arrangement Agreement pursuant to which, among other things, (i) Monarch agreed to transfer certain of its assets and liabilities to SpinCo; and (ii) Yamana agreed to acquire all of the outstanding shares of Monarch pursuant to a court-approved plan of arrangement under the CBCA.

Subject to receipt of Monarch Securityholder Approval, the Final Order, and the satisfaction or waiver of certain other conditions, upon the implementation of the Arrangement, Monarch will transfer all of the SpinCo Assets and SpinCo Liabilities to SpinCo and Yamana will acquire all of the outstanding Monarch Shares.

Q: What will Monarch Securityholders receive in the Arrangement?

A: If the Arrangement is completed, Monarch Shareholders are entitled to receive \$0.192 in cash, 0.0376 of a Yamana Share, and 0.20 of a SpinCo Share for each outstanding Monarch Share held. Each Monarch In-The-Money Option will be deemed to be surrendered and will be cancelled and the relevant Monarch Optionholder will receive a payment from Monarch, in the form of Monarch Option Shares, having a fair market value equal to the relevant In-the-Money Amount, net of applicable source deductions. All other Monarch Options will be cancelled without any payment and the holder will cease to be the holder of such Monarch Options.

Q: What vote is required at the Meeting to approve the Arrangement Resolution?

A: The Arrangement Resolution must be approved by (i) at least 66⅔% of the votes cast on the Arrangement Resolution by Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) a simple majority of the votes cast on the Arrangement Resolution by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any “interested party”, any “related party” of an “interested party” or any “joint actor” of the foregoing (as such terms are defined under MI 61-101), which also satisfies the TSX requirement that the Arrangement be approved by the Monarch Shareholders without taking into account the votes of Monarch Optionholders.

Q: Does the Monarch Board support the Arrangement?

A: Yes. The Monarch Board unanimously (with Mr. Yohann Bouchard who, having declared his interest as an officer of Yamana, did not participate in the meetings or vote with respect to the Arrangement or the Arrangement Agreement) determined that the Arrangement is fair to the Monarch Shareholders, that the Arrangement and the entering into of the Arrangement Agreement are in the best interests of Monarch and recommends that Monarch Securityholders vote **FOR** the Arrangement Resolution.

In making its recommendation, the Monarch Board considered a number of factors as described in this Circular under “*The Arrangement – Recommendation of the Monarch Board*”, including the Fairness Opinion provided by the Financial Advisor to the Monarch Board, to the effect that, as of the date of such opinion, based upon and subject to the various assumptions, limitations and qualifications set forth therein, the Consideration to be paid to Monarch Shareholders under the Arrangement was fair, from a financial point of view, to Monarch Shareholders other than Yamana. See “*The Arrangement – Background to the Arrangement*” and “*The Arrangement – Fairness Opinion*”.

Q: Why is the Monarch Board making this recommendation?

A: In reaching the conclusions and formulating its recommendation, the Monarch Board consulted with representatives of Monarch’s management team and its legal and financial advisors. The Monarch Board also reviewed a significant amount of technical, financial and operational information relating to Monarch and Yamana and considered a number of factors and reasons, including those listed below. The following is a summary of the principal reasons for the unanimous (with the exception of Mr. Yohann Bouchard) determination of the Monarch Board that the Arrangement is fair to the Monarch Shareholders and is in the best interests of Monarch and the recommendation of the Monarch Board that Monarch Securityholders vote **FOR** the Arrangement Resolution.

- **Significant Premium to Monarch Shareholders.** Yamana has offered Monarch Shareholders a significant premium to the Monarch Share price. The Consideration to be received by the Monarch Shareholders, based on the closing price of the Yamana Shares on the TSX on October 30, 2020 (being the last trading day prior to the announcement of the Arrangement), represents a premium of approximately 43% based on the closing price of the Monarch Shares on the TSX on October 30, 2020 and a premium of 43% to the volume weighted average price of the Monarch Shares on the TSX for the 20-day period ending on October 30, 2020.
- **Continued Exposure to the Acquisition Properties.** Monarch Shareholders, through their ownership of Yamana Shares, will participate in the value associated with the exploration, development and operation of the Acquisition Properties, supported by Yamana’s technical, operational and financial capability.

- **Benefits of Owning Yamana Shares.** The Yamana Shares to be received by Monarch Shareholders in the Arrangement offer Monarch Shareholders an opportunity to own shares in a high-quality, low-cost gold producer, as well as exposure to Yamana’s portfolio of well-diversified assets in safe jurisdictions throughout the Americas.
- **Continued Exposure to Other Monarch Assets.** Monarch Shareholders, through their ownership of SpinCo Shares, will have continued exposure to the other Monarch assets being transferred to SpinCo.
- **Access to Capital and Enhanced Capital Markets Exposure.** Yamana has a strong balance sheet with sufficient cash and liquidity to advance its assets. The management team and board of directors of Yamana have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support for Yamana and the Wasamac Property.
- **Alternatives to the Arrangement.** Prior to entering into the Arrangement Agreement, Monarch regularly evaluated business and strategic opportunities with the objective of maximizing shareholder value in a manner consistent with the best interests of Monarch. As part of that process, Monarch entered into a number of confidentiality agreements with various mining companies over the past several years in order to allow for preliminary discussions to occur regarding potential transactions to maximize value for Monarch Shareholders. The Monarch Board assessed the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of Monarch should it continue as a standalone entity, including the challenges faced by Monarch in sourcing the capital required for its business and development objectives on reasonable commercial terms, the lack of potential sources of such capital and the costs and expected significant dilution to Monarch Shareholders that would likely result from obtaining such capital. The Monarch Board, with the assistance of its legal and financial advisors, assessed the alternatives reasonably available to Monarch and determined that the Arrangement represents the best current prospect for maximizing value for Monarch Shareholders.
- **Significant Shareholder Support.** Each of the directors and senior officers of Monarch and certain significant shareholders of Monarch, including Alamos Gold Inc., Typhoon Exploration Inc. and EBC Inc., have entered into Support Agreements with Yamana, in each case pursuant to which they have, subject to the terms and conditions of such agreements, agreed, among other things, to vote all of their Monarch Shares in favour of the Arrangement Resolution. In the aggregate, the parties to these agreements collectively own or control approximately 20.3% of the issued and outstanding Monarch Shares as of the Record Date.
- **Fairness Opinion.** The Financial Advisor provided its opinion to the Monarch Board to the effect that, as of November 1, 2020, and subject to the assumptions, limitations and qualifications set out in the Fairness Opinion, the Consideration to be received by Monarch Shareholders under the Arrangement is fair, from a financial point of view, to Monarch Shareholders other than Yamana.
- **Likelihood of the Arrangement Being Completed.** The likelihood of the Arrangement being completed is considered by the Monarch Board to be high, in light of the experience, reputation and financial capability of Yamana and the absence of significant closing conditions outside the control of Monarch, other than the Monarch Securityholder Approval, the approval by the Court of the Arrangement, the exercise of Dissent Rights by Registered Holders of no more than 10% of the Monarch Shares and certain other customary closing conditions.

See “*The Arrangement – Reasons for the Recommendation of the Monarch Board*”.

Q: In addition to the approval of Monarch Securityholders, are there any other approvals required for the Arrangement?

A: Yes, the Arrangement requires the approval of the Court and is also subject to the receipt of certain regulatory approvals, including the approval of the TSX. See “*The Arrangement – Court Approvals*” and “*The Arrangement – Regulatory Approvals*” in this Circular.

Q: What is required to complete the Arrangement?

A: Completion of the Arrangement is conditional upon, among other things, the satisfaction or waiver of certain conditions, including:

- the Arrangement Resolution having been approved by the Monarch Securityholders at the Meeting in accordance with the Interim Order and applicable Laws;
- the Final Order having been obtained, in form and substance satisfactory to each of Monarch and Yamana acting reasonably, and not having been set aside or modified in a manner unacceptable to either Monarch or Yamana, each acting reasonably, on appeal or otherwise;
- no Law having been enacted, issued, promulgated, enforced, made, entered, issued or applied and no Proceeding has otherwise been taken under any Laws or by any Governmental Authority (whether temporary, preliminary or permanent) that makes the Arrangement illegal or otherwise directly or indirectly cease trades, enjoins, restrains or otherwise prohibits completion of the Arrangement;
- the necessary conditional approval (or equivalent) of each of the TSX and NYSE having been obtained including in respect of the listing of the Consideration Shares on the TSX and NYSE;
- the necessary conditional approval of the TSX (or another recognized stock exchange) having been obtained including in respect of the listing of the SpinCo Shares on the TSX (or another recognized stock exchange); and
- the Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued pursuant to the Arrangement being exempt from the registration requirements of the U.S. Securities Act pursuant to the Section 3(a)(10) Exemption.

See *“The Arrangement – Timing for Completion of the Arrangement.”*

Q: Does Yamana require approval of its shareholders to complete the Arrangement?

A: The Arrangement does not require the approval of the shareholders of Yamana.

Q: Do any directors or executive officers of Monarch have any interests in the Arrangement that are different from, or in addition to, those of the Monarch Securityholders?

A: In considering the recommendation of the Monarch Board with respect to the Arrangement, Monarch Securityholders should be aware that certain of the directors and executive officers of Monarch have certain interests in connection with the Arrangement that are different from, or in addition to, the interests of Monarch Securityholders generally. See *“The Arrangement – Interests of Certain Persons in the Arrangement”*.

Q: Will the Monarch Shares continue to be listed on the TSX, OTCQX and Frankfurt Stock Exchange after the Arrangement?

A: No. Following the Effective Date, the Monarch Shares will be delisted from the TSX, OTCQX and Frankfurt Stock Exchange (anticipated to be effective one to two Business Days following the Effective Date) and Yamana expects to apply to the applicable securities regulators to have Monarch cease to be a reporting issuer in the applicable provinces. When the Arrangement is completed, former Monarch Shareholders and holders of Monarch In-The-Money Options who were issued Monarch Option Shares will hold Yamana Shares, which will be listed on the TSX, NYSE and LSE, and SpinCo Shares, which are expected to be listed on the TSX.

Q: Should I send the certificate(s) or DRS Statement representing my Monarch Shares now?

A: You are not required to send the certificate(s) or DRS Statement representing your Monarch Shares to validly cast your vote in respect of any of the matters to be voted upon at the Meeting. We encourage Registered Holders to complete, sign, date and return the enclosed Letter of Transmittal, together with their certificate(s) or DRS Statement representing Monarch Shares, as soon as possible and at least two Business Days prior to the Effective Date which will assist in arranging for the prompt exchange of their Monarch Shares if the Arrangement is completed.

Q: When can I expect to receive the Consideration for my Monarch Shares?

A: Assuming completion of the Arrangement, if you hold your Monarch Shares through an intermediary, then you are not required to take any action and the Cash Consideration, Consideration Shares and SpinCo Consideration Shares will be delivered to your intermediary through the procedures in place for such purposes between CDS & Co. or similar entities and such intermediaries. If you hold your Monarch Shares through an intermediary, you should contact your intermediary if you have questions regarding this process.

In the case of Registered Holders, as soon as practicable after the Effective Date, assuming due delivery of the required documentation, including the applicable certificate(s) or DRS Statement representing Monarch Shares and a duly and properly completed Letter of Transmittal, the Depository will forward a cheque representing the Cash Consideration and the certificate(s) or DRS Statements representing the Consideration Shares and the SpinCo Consideration Shares, respectively, to which the Registered Holder is entitled by first class mail to the address of the Monarch Shareholder as shown on the register maintained by the Transfer Agent, unless the Registered Holder indicates in the Letter of Transmittal an alternate address or that it wishes to pick up the cheque representing the Cash Consideration and the DRS Statements representing the Consideration Shares and the SpinCo Consideration Shares, respectively. Only Registered Holders will receive a cheque representing the Cash Consideration and the certificate(s) or DRS Statements representing Consideration Shares and SpinCo Consideration Shares, respectively.

Monarch Shareholders who do not deliver their certificate(s) or DRS Statement representing Monarch Shares and all other required documents to the Depository on or before the date which is six years after the Effective Date will lose their right to receive Consideration for their Monarch Shares.

If you are a holder of Monarch In-The-Money Options as of the Effective Date, you will be entitled to receive Monarch Option Shares on the Effective Date and you do not need to take any action upon completion of the Arrangement to receive a cheque representing the Cash Consideration or to obtain the certificate(s) or DRS Statements representing the Consideration Shares and SpinCo Consideration Shares, respectively, to which you are entitled. You will receive the Consideration that you are entitled to from the Depository following completion of the Arrangement.

See “*The Arrangement – Procedure for Exchange of Monarch Shares*” in this Circular.

Q: When does Monarch expect the Arrangement to become effective?

A: The Effective Date will occur upon satisfaction or waiver of all of the conditions to the completion of the Arrangement. If the Monarch Securityholder Approval is obtained at the Meeting, the Effective Date is expected to occur as soon as practicable following receipt of the Final Order.

Q: How will I know when the Arrangement will be implemented?

A: On the Effective Date, Monarch and Yamana will publicly announce that the conditions to the Arrangement have been satisfied or waived and that the Arrangement has been implemented.

Q: Are there risks I should consider in deciding whether to vote for the Arrangement Resolution?

A: Yes. Monarch Securityholders should carefully consider the risk factors relating to the Arrangement. Some of these risks include, but are not limited to: (i) the Arrangement Agreement is subject to satisfaction or waiver of several conditions and there can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived;

(ii) the Arrangement Agreement may be terminated in certain circumstances, including in the event of a change having a Material Adverse Effect on Monarch; (iii) completion of the Arrangement is uncertain and Monarch is restricted from taking specified actions while the Arrangement is pending; (iv) if the Arrangement is not completed, the market price for the Monarch Shares may decline; (v) Monarch will incur costs even if the Arrangement is not completed and may have to pay the Termination Fee; (vi) given the fixed Exchange Ratios, there can be no certainty with respect to the market value of the Consideration Shares that Monarch Shareholders will receive for their Monarch Shares under the Arrangement; (vii) Monarch directors and executive officers may have interests in the Arrangement that are different from those of the Monarch Securityholders; (viii) Monarch and Yamana may be the targets of legal claims, securities class actions, derivative lawsuits and other claims; (ix) Monarch has not verified the reliability of the information regarding Yamana included in, or which may have been omitted from, this Circular; (x) owning Yamana Shares will expose Monarch Shareholders to greater risks from foreign operations; (xi) prior to the Effective Date, the Arrangement may divert the attention of Monarch's management, and any such diversion could have an adverse effect on the business of Monarch; (xii) the completion of the Arrangement may be delayed due to health epidemics and other outbreaks of infectious diseases, including, but not limited to COVID-19; (xiii) failure to successfully integrate the business or to achieve the desired synergies and benefits of the Arrangement could have a material adverse effect on the market price of the Yamana Shares following completion of the Arrangement; (xiv) failure by Yamana and/or Monarch to comply with applicable Laws prior to the Arrangement could subject Yamana to penalties and other adverse consequences following completion of the Arrangement; (xv) the trading price of the Yamana shares cannot be guaranteed following the Arrangement and could be less than, on an adjusted basis, the current trading price due to various market-related and other factors; (xvi) the Mineral Reserve and Mineral Resource figures pertaining to Yamana's and Monarch's properties are only estimates and are subject to revision based on developing information; (xvii) the SpinCo Shares may not be listed on any stock exchange; and (xviii) there are tax risks associated with the SpinCo Shares if they are not listed on a designated stock exchange.

Q: What are the Canadian income tax consequences of the Arrangement?

A: For a summary of certain material Canadian income tax consequences of the Arrangement, see "*Certain Canadian Federal Income Tax Considerations*". This summary is not intended to be legal or tax advice to any particular Monarch Securityholder. Monarch Securityholders should consult their own tax and investment advisors with respect to their particular circumstances.

Q: What are the U.S. federal income tax consequences of the Arrangement?

A: For a summary of certain material U.S. federal income tax consequences of the Arrangement, see "*Certain United States Federal Income Tax Considerations*". This summary is not intended to be legal or tax advice to any particular Monarch Securityholder that is a U.S. Holder. U.S. Holders are urged to consult their own tax advisors with respect to their particular circumstances.

Q: Am I entitled to Dissent Rights?

A: The Interim Order provides Registered Holders with Dissent Rights with respect to Monarch Shares held by such Monarch Shareholders in connection with the Arrangement that will be available if the Arrangement Resolution is approved by Monarch Securityholders. **Registered Holders considering exercising Dissent Rights should seek advice from their own legal counsel, tax and investment advisors and should carefully review the description of such rights set forth in this Circular and the Interim Order, and comply with the provisions of the Dissent Rights, the full text of which is set out in Appendix K to this Circular.**

Q: What will happen to the Monarch Shares that I currently own after completion of the Arrangement?

A: Upon completion of the Arrangement, certificates and/or DRS Statements representing Monarch Shares will represent only the right of the Registered Holder to receive the Consideration, comprised of \$0.192 in cash, 0.0376 of a Yamana Share, and 0.20 of a SpinCo Share for each Monarch Share held. Trading in Monarch Shares on the TSX, OTCQX and Frankfurt Stock Exchange will cease and Yamana expects to apply to the applicable securities regulators to have Monarch cease to be a reporting issuer in the applicable provinces and any other applicable securities laws and will cease to be required to file reports with the applicable Canadian Securities regulators. Yamana will continue to be listed on the TSX, NYSE and LSE.

Q: What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

A: If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement will be terminated. In certain circumstances, Monarch will be required to pay to Yamana the Termination Fee in connection with such termination. If, for any reason, the Arrangement is not completed or its completion is materially delayed and/or the Arrangement Agreement is terminated, the market price of the Monarch Shares may be materially adversely affected and Monarch's business, financial condition or results of operations could also be subject to various material adverse consequences, including that Monarch would remain liable for costs relating to the Arrangement.

Proxy and Voting Questions

Q: Who is soliciting my proxy?

A: Your proxy is being solicited by management of Monarch. This Circular is furnished in connection with that solicitation. The solicitation of proxies for the Meeting will be made primarily by mail and may be supplemented by telephone. Monarch has retained Laurel Hill Advisory Group as the Proxy Solicitation Agent.

If you have any questions or need assistance with the completion and delivery of your proxy or voting instruction form, please contact Monarch's proxy solicitation agent, Laurel Hill Advisory Group, by telephone at 1-877-452-7184 (toll-free in North America) or 1-416-304-0211 (collect call outside North America) or by email at assistance@laurelhill.com. See "*General Proxy Information – Solicitation of Proxies*" in this Circular.

Q: What if I return my proxy but do not mark it to show how I wish to vote?

A: Unless otherwise directed, it is management's intention to vote **FOR** all matters to be voted on at the Meeting. If you return a signed proxy but do not specify how you want your Monarch Shares and/or Monarch Options, as applicable, voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** all matters to be voted on at the Meeting.

Q: When is the cut-off time for delivery of proxies?

A: Proxies must be delivered to Computershare at Computershare Investor Services Inc., attention: Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or by fax numbers: 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America), not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment or postponement thereof. In this case, assuming no adjournment or postponement, the proxy-cut off time is 9:30 a.m. (Eastern time) on December 28, 2020.

Q: Can I change my vote after I submitted a signed proxy?

A: Yes. Any Monarch Securityholder who grants a proxy is at liberty to revoke such proxy by filing a written notice of revocation, including another proxy form indicating a later date, signed by the Monarch Securityholder or his or her proxyholder duly authorized in writing. For any Monarch Securityholder that is a corporate body, the written notice of revocation or proxy form must be signed by a duly authorized officer or representative. The act of appointing a new proxyholder results in the revocation of any previous act appointing another proxyholder. The written notice of revocation, including another proxy form indicating a later date, must be sent to (i) Computershare at Computershare Investor Services Inc., attention: Proxy Dept., 100 University Avenue 8th Floor, Toronto, Ontario M5J 2Y1 by no later than the last business day preceding the date of the Meeting or of any adjournment or postponement thereof, (ii) the head office of Monarch located at 70, Dalhousie Street, Suite 300, Québec, Québec, G1K 4B2 on the last clear Business Day preceding the date of the Meeting or of any adjournment or postponement thereof, or (iii) the Chairperson of the Meeting on the day of the Meeting, or on any adjournment or postponement thereof, before the Meeting commences.

If you revoke your proxy and do not replace it with another that is deposited with us before the deadline, you can still vote your Monarch Shares and/or Monarch Options, but to do so you must attend the Meeting virtually.

If you are a Non-Registered Holder, you may revoke voting instructions that you have given to your nominee at any time by written notice to the nominee. However, your nominee may be unable to take any action on the revocation if you do not provide your revocation sufficiently in advance of the Meeting. Each intermediary and broker has its own rules concerning the mailing and forwarding of voting instruction forms, meeting notices, proxy circulars as well as all other documents sent to shareholders for a meeting. These rules must be clearly followed by the beneficial owners to ensure their Monarch Shares can be represented at the Meeting.

Q: How will the votes be counted?

A: Votes by proxy are counted and tabulated by the scrutineer, Computershare. At the Meeting, the scrutineer who is appointed will count and tabulate the live votes recorded at the virtual Meeting in such a manner as to preserve confidentiality of the Monarch Securityholders and prepare a final scrutineer's report reflecting total votes received in connection with the Meeting.

Q: Who is eligible to vote?

A: Monarch Shareholders and Monarch Optionholders at the close of business on the Record Date or their duly appointed proxyholders are eligible to vote on the Arrangement Resolution. Monarch Shareholders at the close of business on the Record Date or their duly appointed proxyholders are eligible to vote on the Shareholder Matters.

Q: Does any Monarch Shareholder beneficially own 10% or more of the Monarch Shares?

A: Yes. To the knowledge of the directors and officers of Monarch, as of the Record Date, Alamos and its affiliates and associates held 44,848,203 Monarch Shares, representing approximately 13.96% of the outstanding Monarch Shares on a non-diluted basis.

Q: What if I acquire ownership of Monarch Shares after the Record Date?

A: You will not be entitled to vote Monarch Shares acquired after the Record Date at the Meeting. Only persons owning Monarch Shares as of the Record Date are entitled to vote at the Meeting.

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GLOSSARY OF TERMS

The following terms used in the Circular have the meanings set forth below.

“**11306448 Shares**” means the 100 issued and outstanding common shares of 11306448 Canada Inc., all of which are currently held by Monarch.

“**Acceptable Confidentiality Agreement**” means the confidentiality agreement between Monarch and a third party other than Yamana: (i) that is entered into in accordance with Section 5.1(c) of the Arrangement Agreement; (ii) that contains confidentiality and standstill restrictions that are no less restrictive than those set out in the Confidentiality Agreement; (iii) that does not permit the third party to acquire any Monarch Shares; and (iv) that does not preclude or limit the ability of Monarch to disclose information relating to such agreement or the negotiations contemplated thereby, to Yamana.

“**Acquisition Agreement**” has the meaning attributed thereto under the following heading in this Circular: “*Transaction Agreements – Arrangement Agreement – Non-Solicitation Covenants*”.

“**Acquisition Properties**” means, collectively, the Wasamac Property and the Camflo Property.

“**Acquisition Proposal**” means whether or not in writing, any (a) proposal made after the date of the Arrangement Agreement with respect to: (i) any direct or indirect acquisition by take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in any person or group of persons (or in the case of a parent to parent transaction, their shareholders) (other than Yamana and its affiliates) beneficially owning Monarch Shares (or securities convertible into or exchangeable or exercisable for Monarch Shares) representing 20% or more of the Monarch Shares then outstanding; (ii) any plan of arrangement, amalgamation, merger, share exchange, consolidation, recapitalization, reorganization, liquidation, dissolution, business combination or other similar transaction in respect of Monarch or its subsidiaries; or (iii) any direct or indirect acquisition by any person or group of persons (other than Yamana and its affiliates) of any assets of Monarch and/or any interest in its subsidiaries (including shares or other equity interest of its subsidiaries) that are or that hold the Acquisition Properties or individually or in the aggregate contribute 20% or more of the consolidated revenue of Monarch and its subsidiaries or constitute or hold 20% or more of the fair market value of the assets of Monarch and its subsidiaries (taken as a whole) in each case based on the consolidated financial statements of Monarch most recently filed prior to such time as part of the Public Disclosure Record (or any sale, disposition, lease, license, royalty, alliance or joint venture, long-term supply agreement or other arrangement having a similar economic effect), whether in a single transaction or a series of related transactions, or (b) inquiry, expression or other indication of interest or offer to, or public announcement of or of an intention to do any of the foregoing, in each case excluding the Arrangement and the other transactions contemplated by the Arrangement Agreement.

“**affiliate**” and “**associate**” have the meanings respectively attributed thereto under Securities Laws.

“**Alamos**” means Alamos Gold Inc.

“**allowable capital loss**” has the meaning attributed thereto under the following heading in this Circular: “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*”.

“**Arrangement**” means the arrangement of Monarch under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of Monarch and Yamana, each acting reasonably.

“**Arrangement Agreement**” means the arrangement agreement dated November 1, 2020, as amended on November 19, 2020, between Monarch and Yamana (including the Schedules attached thereto) as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof.

“**Arrangement Resolution**” means the special resolution to be considered and, if thought fit, passed by the Monarch Securityholders at the Meeting to approve the Arrangement, to be substantially in the form and content of Appendix A hereto.

“**Articles of Arrangement**” means the articles of arrangement to be filed in accordance with the CBCA evidencing the Arrangement.

“**AST**” means AST Trust Company.

“**Audit Committee**” means the audit committee of Monarch.

“**Ausenco**” means Ausenco Engineering Canada Inc.

“**BBA**” has the meaning attributed thereto under the following heading in this Circular: “*The Arrangement – Background to the Arrangement*”.

“**Beacon Gold Property**” means Monarch’s 100% interest in the Beacon gold property.

“**Beacon Shares**” means the issued and outstanding common shares of Beacon Gold Mill Inc., of which 100 are issued and outstanding as at the date of the Circular, all of which are currently held by Monarch.

“**Beacon Mill**” means Monarch’s 100% interest in the Beacon gold mill.

“**Beaufor Mine**” means the Beaufor mine and property.

“**Beaufor Technical Report**” means the technical report prepared for Monarch entitled “*NI 43-101 Technical Report of the mineral resource and mineral reserve estimates of the Beaufor Mine*”, effective as of September 30, 2017 issued on December 28, 2017, Carl Pelletier, P. Geo., Laurent Roy, Eng., Catherine Jalbert, P. Geo. and Guillaume Noël, Eng., each of them from InnovExplo (Val-d’Or, Québec), Geneviève Auger, Eng. from InnovExplo (Longueuil, Québec) and Gail Amyot, Eng. from InnovExplo (Québec, Québec).

“**Business Day**” means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Montreal, Québec or in Toronto, Ontario are authorized or required by applicable Law to be closed.

“**Camflo NO Property**” means all of the right, title and interest of Monarch in the mining rights set out in Section 1.1 of the Monarch Disclosure Letter.

“**Camflo Property**” means Monarch’s 100% interest in Camflo Mill Inc. and 80% interest in the Camflo NO Property.

“**Canada-US Tax Treaty**” has the meaning attributed thereto under the following heading in this Circular: “*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dividends on Monarch Shares, SpinCo Shares or Yamana Shares*”.

“**Cash Consideration**” means \$0.192 for each Monarch Share.

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, as amended.

“**Certificate of Arrangement**” means the certificate of arrangement issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

“**Change of Recommendation**” has the meaning attributed thereto in the Arrangement Agreement.

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum.

“**Circular**” means this management information circular (including the notice of meeting included herewith and all appendices hereto) sent to the Monarch Securityholders in connection with the Meeting, including any amendments or supplements hereto.

“**Code**” means the *United States Internal Revenue Code of 1986*, as amended.

“**Code of Ethics**” has the meaning attributed thereto under the following heading in this Circular: “*Corporate Governance – Ethical Business Conduct*”.

“**Compensation Committee**” means the Human Resources, Compensation and Nominating Committee of the Monarch Board.

“**Compensation Schedule**” means the schedule setting out the compensation payable to the employees of Monarch and its subsidiaries as agreed to in writing between Monarch and Yamana.

“**Competition Act**” means the *Competition Act*, R.S.C. 1985, c. C-34, and the regulations promulgated thereunder, as amended.

“**Computershare**” means Computershare Investor Services Inc.

“**Confidentiality Agreement**” means the confidentiality agreement dated as of July 2, 2020 between Monarch and Yamana.

“**Consideration**” means the consideration to be received pursuant to the Plan of Arrangement in respect of each Monarch Share that is issued and outstanding immediately prior to the Effective Time, consisting of (i) the Cash Consideration; (ii) the Yamana Share Consideration; and (iii) the SpinCo Consideration Shares.

“**Consideration Shares**” means the Yamana Shares to be issued as Yamana Share Consideration pursuant to the Arrangement.

“**Contract**” means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership, note, instrument, or other right or obligation (whether written or oral) to which Monarch, or any of its subsidiaries, is a party or by which Monarch or any of its subsidiaries is bound or affected or to which any of their respective properties or assets is subject.

“**Controlling Individual**” has the meaning attributed thereto under the following heading in this Circular: “*Eligibility for Investment*”.

“**Court**” means the Québec Superior Court (commercial division) in the district of Québec.

“**CRA**” means the Canada Revenue Agency.

“**Croinor Property**” means Monarch’s 100% interest in the Croinor gold property.

“**Depository**” means Computershare Trust Company of Canada, in its capacity as depository for the Arrangement.

“**Designated Groups**” has the meaning attributed thereto under the following heading in this Circular: “*Corporate Governance – Diversity*”.

“**Director**” means the director appointed pursuant to Section 260 of the CBCA.

“**Dissent Procedures**” means the procedures to be taken by a Monarch Shareholder in exercising Dissent Rights.

“**Dissent Rights**” means the rights of dissent exercisable by Registered Holders in respect of the Arrangement Resolution, as described in Section 5.1 of the Plan of Arrangement.

“**Dissent Shares**” means Monarch Shares held by a Dissenting Monarch Shareholder and in respect of which the Dissenting Monarch Shareholder has validly exercised the Dissent Rights.

“**Dissenting Monarch Shareholder**” means a Registered Holder who duly and validly exercises Dissent Rights in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such Dissent Rights.

“**Distribution SpinCo Share**” has the meaning attributed thereto under the following heading in this Circular: “*The Arrangement – Principal Steps of the Arrangement*”.

“**DPSPs**” has the meaning attributed thereto under the following heading in this Circular: “*Eligibility for Investment*”.

“**DRS Statement**” means a direct registration statement issued by a depository evidencing the securities held by a Monarch Shareholder in book-based form in lieu of a physical share certificate.

“**Effective Date**” means the date upon which the Arrangement becomes effective as shown on the Certificate of Arrangement.

“**Effective Time**” means 12:01 a.m. (Eastern time) on the Effective Date or such other time as Monarch and Yamana may agree upon in writing prior to the Effective Date.

“**Elected Amount**” has the meaning attributed thereto under the following heading in this Circular: “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Exchange of Monarch Class A Shares – With Section 85 Election.*”

“**Eligible Holder**” has the meaning attributed thereto in Section 1.1 of the Plan of Arrangement.

“**Eligible Institution**” means a Canadian Schedule I Chartered Bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP).

“**Eligible Participants**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Stock Option Plans and Other Incentive Plans – Amended and Restated Stock Option Plan Description*”.

“**Employment Agreement of the Chief Financial Officer**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Termination and Change of Control Benefits – Alain Lévesque*”.

“**Employment Agreement of the Vice President Corporate Development**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Termination and Change of Control Benefits – Mathieu Séguin*”.

“**Employment Agreement of the Vice President Operations**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Termination and Change of Control Benefits – Marc-André Lavergne*”.

“**Encumbrance**” means any mortgage, hypothec, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing.

“**Exchange Ratio**” means 0.0376 of a Yamana Share.

“**Executive Employment Agreements**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Executive Compensation – Compensation of Executives*”.

“**Fair Market Value**” has the meaning attributed thereto in Section 1.1 of the Plan of Arrangement.

“**Fairness Opinion**” means the opinion of the Financial Advisor to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be received by the Monarch Shareholders under the Arrangement is fair, from a financial point of view, to the Monarch Shareholders other than Yamana.

“**FCA**” means the United Kingdom Financial Conduct Authority.

“**Final Order**” means the order of the Court approving the Arrangement under Section 192 of the CBCA, in form and substance acceptable to Monarch and Yamana, each acting reasonably, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement and being informed of the intention to rely upon the Section 3(a)(10) Exemption from registration under the U.S. Securities Act in connection with the issuance of the Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to Monarch Securityholders, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both Monarch

and Yamana, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided that any such amendment is acceptable to both Monarch and Yamana, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied.

“**Financial Advisor**” means Stifel Nicolaus Canada Inc.

“**First Preference Shares**” means first preference shares in the capital of Yamana.

“**Former Monarch Optionholder**” means, at and following the Effective Time, the holders of Monarch Options immediately prior to the Effective Time.

“**Former Monarch Shareholder**” means, at and following the Effective Time, the Monarch Shareholders immediately prior to the Effective Time.

“**Former Monarch Warrantholder**” means, at and following the Effective Time, the holders of Monarch Warrants immediately prior to the Effective Time.

“**GGA**” means Global Governance Advisors.

“**Glencore**” means Glencore Canada Corporation.

“**Governmental Authority**” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the TSX or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing.

“**Guidelines**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Corporate Governance*”.

“**Holder**” has the meaning attributed thereto under the following heading in this Circular: “*Certain Canadian Federal Income Tax Considerations – Monarch Shareholders*”.

“**IFRS**” means International Financial Reporting Standards as incorporated in the Chartered Professional Accountants of Canada Handbook, at the relevant time applied on a consistent basis.

“**In-The-Money Amount**” means, in respect of a Monarch Option, the amount, if any, by which the aggregate closing price of Monarch Shares that a holder is entitled to acquire on exercise of a Monarch Option immediately prior to the Effective Time exceeds the aggregate exercise price of such Monarch Option.

“**Indemnified Party**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Available Funds and Principal Purposes – Principal Purposes*”.

“**Initial SpinCo Share**” means one SpinCo Share, to be issued by SpinCo to Monarch prior to the Effective Date.

“**Interim Order**” means the interim order of the Court to be issued following the application therefor submitted to the Court pursuant to Section 192 of the CBCA as contemplated by Section 2.2(b) of the Arrangement Agreement, after being informed of the intention to rely upon the Section 3(a)(10) Exemption from registration under the U.S. Securities Act in connection with the issuance of the Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to Monarch Securityholders pursuant to the Arrangement, in form and substance acceptable to Monarch and Yamana, each acting reasonably, providing for, among other things, the calling and holding of the Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both Monarch and Yamana, each acting reasonably.

“**IRS**” means the Internal Revenue Service of the United States federal government.

“**KPMG**” means KPMG LLP, Chartered Professional Accountants.

“Lacoste Agreement” has the meaning attributed thereto under the following heading in this Circular: *“Named Executive Officer and Director Compensation – Termination and Change of Control Benefits – Jean-Marc Lacoste”*.

“Laws” means all laws, statutes, codes, ordinances (including zoning), decrees, rules, regulations, by-laws, notices, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, settlements, writs, assessments, arbitration awards, rulings, determinations or awards, decrees or other requirements of any Governmental Authority having the force of law and any legal requirements arising under the common law or principles of law or equity and the term “applicable” with respect to such Laws and, in the context that refers to any person, means such Laws as are applicable at the relevant time or times to such person or its business, undertaking, property or securities and emanate from a Governmental Authority having jurisdiction over such person or its business, undertaking, property or securities.

“Letter of Transmittal” means the letter of transmittal sent by Monarch to the Monarch Securityholders for use in connection with the Arrangement, providing for the delivery of certificates representing Monarch Shares to the Depository.

“Liens” means any pledge, claim, lien, charge, option, hypothec, mortgage, security interest, restriction, adverse right, prior assignment, lease, sublease, royalty, levy, right to possession or any other encumbrance, easement, license, right of first refusal, covenant, voting trust or agreement, transfer restriction under any shareholder or similar agreement, right or restriction of any kind or nature whatsoever, whether contingent or absolute, direct or indirect, or any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

“Locked-Up Shareholders” means, collectively, the officers and directors of Monarch who have entered into Support Agreements.

“LSE” means the London Stock Exchange.

“Louvem Shares” means the 15,880,001 issued and outstanding common shares of Louvem Mines Inc., all of which are currently held by Monarch.

“Main Market” means the Main Market of the LSE.

“Majority Voting Policy” means the policy adopted by the Monarch Board governing the election of directors to the Monarch Board.

“Material Adverse Effect” means any result, fact, change, effect, event, circumstance, occurrence or development that, taken together with all other results, facts, changes, effects, events, circumstances, occurrences or developments, has or would reasonably be expected to have a material and adverse effect on the business, results of operations, capitalization, assets, liabilities (including any contingent liabilities), obligations (whether absolute, accrued, conditional or otherwise), prospects or financial condition of Monarch and its subsidiaries, taken as a whole or on the Acquisition Properties, provided, however, that any result, fact, change, effect, event, circumstance, occurrence or development that arises out of, relates directly or indirectly to, results directly or indirectly from or is attributable to any of the following will not be deemed to constitute, and will not be taken into account in determining whether there has been, a Material Adverse Effect: (a) changes, developments or conditions in or relating to general political, economic or financial or capital market conditions in Canada or globally (including any reduction in market indices); (b) any change or proposed change in any Laws or the interpretation, application or non-application of any Laws by any Governmental Authority; (c) changes or developments affecting the global mining industry in general; (d) any outbreak or escalation of hostilities or war or acts of terrorism or any natural disaster or general outbreaks of illness (including COVID-19); (e) any changes in the price of gold; (f) any generally applicable changes in IFRS; (g) a change in the market price of the Monarch Shares as a result of the announcement of the execution of the Arrangement Agreement or of the transactions contemplated hereby; (h) any action taken (or omitted to be taken) by Monarch or any of its subsidiaries, which is required to be taken (or omitted to be taken) pursuant to the Arrangement Agreement or that is consented to by Yamana in writing; (i) the announcement of the Arrangement Agreement or consummation of the Arrangement or the transactions contemplated hereby; or (j) the failure by Monarch to achieve the results set forth in any internal or public projection, forecasts, guidance or estimates regarding its revenues, cash flow, or earnings (it being understood that the causes underlying such failure may be taken into account in determining whether a Material Adverse Effect has occurred); provided, however, that each of clauses (a) through (d) above will not apply

to the extent that any of the changes, developments, conditions or occurrences referred to therein relate primarily to (or have the effect of relating primarily to) Monarch and its subsidiaries taken as a whole or disproportionately adversely affect Monarch and its subsidiaries taken as a whole in comparison to other persons who operate in the gold mining industry and provided further, however, that references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and will not be deemed to be, illustrative or interpretive for purposes of determining whether a Material Adverse Effect has occurred.

“**material fact**” has the meaning attributed to such term under Securities Laws.

“**McKenzie Property**” means Monarch’s 100% interest in the McKenzie property.

“**Meeting**” means the special meeting of the Monarch Securityholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order for the purpose of considering and, if thought fit, approving the Arrangement Resolution and the Shareholder Matters.

“**MI 61-101**” means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*.

“**misrepresentation**” has the meaning attributed to such term under Securities Laws.

“**Monarch**” means Monarch Gold Corporation, a corporation organized under the federal laws of Canada.

“**Monarch AIF**” has the meaning attributed thereto under the following heading in this Circular: “*Appendix E – Information Concerning Monarch*”.

“**Monarch Annual Financial Statements**” means the audited consolidated financial statements of Monarch as at, and for the years ended, June 30, 2020 and June 30, 2019 including the notes thereto.

“**Monarch Annual MD&A**” has the meaning attributed thereto under the following heading in this Circular: “*Appendix E – Information Concerning Monarch*”.

“**Monarch Board**” means the board of directors of Monarch.

“**Monarch Certificated Warrants**” means the warrants, including for greater certainty, the compensation warrants, to acquire Monarch Shares issued pursuant to certain standalone warrant certificates of Monarch.

“**Monarch Class A Shareholder**” means a holder of Monarch Class A Shares.

“**Monarch Class A Shares**” has the meaning attributed thereto under the following heading in this Circular: “*The Arrangement – Principal Steps of the Arrangement*”.

“**Monarch Disclosure Letter**” means the disclosure letter dated November 1, 2020 regarding the Arrangement Agreement executed by Monarch and delivered to Yamana contemporaneously with the execution of the Arrangement Agreement.

“**Monarch In-The-Money Option**” means a Monarch Option having an In-the-Money Amount.

“**Monarch Indenture Warrants**” means the warrants to acquire Monarch Shares issued pursuant to the Monarch Warrant Indenture.

“**Monarch Interim Financial Statements**” means the unaudited condensed interim financial statements of Monarch for the three months ended September 30, 2020, including the notes thereto.

“**Monarch Option Plan**” means Monarch’s Amended and Restated 2011 Stock Option Plan as adopted by the Monarch Board on October 28, 2011 and amended as of November 2, 2012, December 16, 2013, August 4, 2017 and May 22, 2018.

“**Monarch Option Shares**” means Monarch Shares to be issued to holders of Monarch In-the-Money Options pursuant to the Plan of Arrangement.

“**Monarch Optionholder**” means a holder of one or more Monarch Options.

“**Monarch Options**” means options to acquire Monarch Shares granted pursuant to the Monarch Option Plan.

“**Monarch Out-of-the-Money Option**” means a Monarch Option that is not a Monarch In-The-Money Option.

“**Monarch Properties**” means, collectively, the Acquisition Properties and the SpinCo Properties.

“**Monarch Securityholder Approval**” means the requisite approval of the Arrangement Resolution by (i) at least 66⅔% of the votes cast on the Arrangement Resolution by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class and (ii) a simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any “interested party”, any “related party” of an “interested party” or any “joint actor” of the foregoing (as such terms are defined under MI 61-101).

“**Monarch Securityholders**” means, collectively, Monarch Shareholders and Monarch Optionholders.

“**Monarch Shareholder**” means a holder of one or more Monarch Shares.

“**Monarch Shares**” means the common shares in the capital of Monarch.

“**Monarch Warrant Indenture**” means the warrant indenture between Monarch and Computershare Trust Company of Canada dated September 17, 2020.

“**Monarch Warrantholder**” means a holder of one or more Monarch Warrants.

“**Monarch Warrants**” means collectively, Monarch Certificated Warrants and Monarch Indenture Warrants.

“**MOU**” has the meaning attributed thereto under the following heading in this Circular: “*The Arrangement – Background to the Arrangement*”.

“**Named Executive Officers**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Compensation Discussion Analysis – Named Executive Officers*”.

“**New Shares**” has the meaning attributed thereto under the following heading in this Circular: “*Certain United States Federal Income Tax*”.

“**NI 43-101**” means the Regulation 43-101 *respecting Standards of Disclosure for Mineral Projects*.

“**NI 52-109**” means Regulation 52-109 *respecting Certification of Disclosure in Issuers’ Annual and Interim Filings*.

“**NI 52-110**” means the Regulation 52-110 *respecting Audit Committees*.

“**NI 58-101**” means the Regulation 58-101 *respecting Disclosure of Corporate Governance Practices*.

“**NOBO**” has the meaning attributed thereto under the following heading in this Circular: “*General Proxy Information – Non-Registered Holders – Voting Options*”.

“**Non-Registered Holder**” means a Monarch Shareholder who is not a Registered Holder.

“**Non-Resident Holder**” has the meaning attributed thereto under the following heading in this Circular: “*Certain Canadian Federal Income Tax Considerations – Shareholders – Holders Not Resident in Canada*”.

“**Notice of Dissent**” means a notice of dissent duly and validly given by a Registered Holder exercising Dissent Rights as contemplated in the Interim Order.

“**NYSE**” means the New York Stock Exchange.

“**OBO**” has the meaning attributed thereto under the following heading in this Circular “*General proxy Information – Non-Registered Holders – Voting Option*”.

“**Official List**” means the Official List of the FCA.

“**Orbite Property**” means Monarch’s 100% interest in the Orbite property.

“**Order**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Directors and Officers of SpinCo – Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”.

“**Outside Date**” means January 31, 2021 or such later date as may be agreed to in writing by the Parties, provided that if the Effective Date has not occurred by January 31, 2021 as a result of the failure to satisfy the conditions set forth in Section 7.1(b) or 7.3(j) of the Arrangement Agreement then either Party may elect by notice in writing delivered to the other Party by no later than 5:00 p.m. (Eastern time) on a date that is on or prior to such date or, in the case of subsequent extensions, the date that is on or prior to the Outside Date, as previously extended, to extend the Outside Date from time to time by a specified period of not less than five days and not more than 15 days, provided that in aggregate such extensions will not exceed 90 days from January 31, 2021; provided further that, notwithstanding the foregoing, a Party will not be permitted to extend the Outside Date if the failure to satisfy the conditions set forth in Section 7.1(b) or 7.3(j) of the Arrangement Agreement is primarily the result of such Party’s failure to comply with its covenants in the Arrangement Agreement.

“**Parties**” means Monarch and Yamana, and “**Party**” means either one of them.

“**PCAOB**” means the Public Company Accounting Oversight Board.

“**Pension Plan**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Pension Plan Benefits*”.

“**Permit**” means any lease, license, permit, certificate, consent, order, grant, approval, classification, registration or other authorization of or from any Governmental Authority.

“**person**” includes an individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability company, unlimited liability company, joint venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or Governmental Authority or other entity, whether or not having legal status.

“**PFIC**” has the meaning attributed thereto under the following heading in this Circular: “*Certain United States Federal Income Tax Considerations – Passive Foreign Investment Company Considerations*”.

“**Plan of Arrangement**” means the plan of arrangement substantially in the form and content set out in Appendix B hereto, as amended, modified or supplemented from time to time in accordance with Article 7 of the Plan of Arrangement or at the direction of the Court in the Final Order, with the consent of Monarch and Yamana, each acting reasonably.

“**Proceedings**” has the meaning attributed thereto in the Arrangement Agreement.

“**Proposal**” has the meaning attributed thereto under the following heading in this Circular: “*The Arrangement – Background to the Arrangement*”.

“**Proxy Solicitation Agent**” means Laurel Hill Advisory Group.

“**Public Disclosure Record**” means all documents filed by or on behalf of Monarch on SEDAR since January 1, 2017 and prior to November 1, 2020 that are publicly available on November 1, 2020.

“**QEF**” has the meaning attributed thereto under the following heading in this Circular: “*Certain United States Federal Income Tax Considerations – Passive Foreign Investment Company Considerations – Qualified Electing Fund Election*”.

“**Record Date**” means November 30, 2020.

“**Registered Holder**” means a registered holder of Monarch Shares.

“Registered Plan” has the meaning attributed thereto under the following heading in this Circular: *“Eligibility for Investment.”*

“Regulation S” means Regulation S under the U.S. Securities Act.

“Regulatory Approvals” means sanctions, rulings, consents, orders, exemptions, permits, waivers, early termination authorizations, clearances, written confirmations of no intention to initiate legal proceedings and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Authorities.

“Replacement SpinCo Warrant” has the meaning attributed thereto under the following heading in this Circular: *“The Arrangement – Treatment of Monarch Warrants – Monarch Certificated Warrants”*.

“Replacement Yamana Warrant” has the meaning attributed thereto under the following heading in this Circular: *“The Arrangement – Treatment of Monarch Warrants – Monarch Certificated Warrants”*.

“Representatives” means, collectively, with respect to a Party, that Party’s officers, directors, employees, consultants, advisors, agents or other representatives (including lawyers, accountants, investment bankers and financial advisors).

“Resident Holder” has the meaning attributed thereto under the following heading in this Circular: *“Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada”*.

“Rule 144” means Rule 144 under the U.S. Securities Act.

“SEC” means the United States Securities and Exchange Commission.

“Section 3(a)(10) Exemption” means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) of the U.S. Securities Act.

“Section 85 Election” has the meaning attributed thereto under the following heading in this Circular: *“Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Exchange of Monarch Class A Shares – With Section 85 Election”*.

“Securities Laws” means the *Securities Act* (Ontario) or the *Securities Act* (Québec), as applicable, and the rules, regulations and published policies made thereunder and all other applicable Canadian provincial and territorial securities Laws.

“SEDAR” means System for Electronic Document Analysis Retrieval.

“Shareholder Matters” has the meaning attributed thereto under the following heading in this Circular *“General Proxy Information – Registered Holdings or Monarch Optionholders – Voting Options”*.

“Spin-Out” means the transfer of the SpinCo Assets and SpinCo Liabilities to SpinCo immediately prior to the Effective Time.

“SpinCo” means Corporation Minière Monarch/Monarch Mining Corporation, a corporation organized under the federal laws of Canada that will hold the SpinCo Assets and SpinCo Liabilities following completion of the Spin-Out.

“SpinCo Assets” means (i) all mining claims (whether patented or unpatented), concessions, leases, licenses, surface rights or other mineral rights and other interests in respect of the SpinCo Properties, (ii) the office lease of Monarch relating to Monarch’s existing offices located at 68, Avenue de la Gare, Bureau 205, Québec, Québec, (iii) office furniture, office equipment or office supplies located at the office location referred to in clause (ii) above, (iv) all fixed assets and inventories of Monarch relating exclusively to the SpinCo Properties or located within the boundaries of the SpinCo Properties or at the office location referred to above in paragraph (ii) above, (v) all joint venture, earn-in, other Contracts entered into by Monarch, and royalties or other similar rights that relate exclusively to the SpinCo Properties, (vi) all exploration information, data reports and studies including all geological, geophysical and geochemical information and data (including all drill, sample and assay results and all maps) and all technical reports, feasibility studies and other similar reports and studies of all nature concerning the SpinCo Properties in Monarch’s

possession or control relating to the SpinCo Properties, (vii) \$14,000,000 in cash (viii) the Beacon Shares, (ix) the Louvem Shares, (x) the 11306448 Shares, and (xi) the X-Ore Shares.

“**SpinCo Audit Committee**” means the proposed Audit Committee of the SpinCo Board.

“**SpinCo Board**” means the board of directors of SpinCo.

“**SpinCo Consideration Shares**” means the SpinCo Shares to be issued pursuant to the Plan of Arrangement.

“**SpinCo Compensation Committee**” means the proposed Human Resources, Compensation and Nominating Committee of the SpinCo Board.

“**SpinCo Conveyance Agreement**” means the agreement to be entered on or prior to the Effective Date between Monarch and SpinCo to effect the sale and transfer of SpinCo Assets and SpinCo Liabilities from Monarch to SpinCo, in a form satisfactory to Monarch, SpinCo and Yamana, acting reasonably.

“**SpinCo Lacoste Agreement**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Executive Compensation – Employment Agreements – Jean-Marc Lacoste*”.

“**SpinCo Lévesque Agreement**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Executive Compensation – Employment Agreements – Alain Lévesque*”.

“**SpinCo Liabilities**” means all of the liabilities of Monarch, contingent or otherwise, which pertain to, or arise in connection with the operation of, the SpinCo Assets.

“**SpinCo Option Plan**” means the stock option plan attached hereto in Appendix G, to be approved by Monarch Shareholders at the Meeting, subject to the approval of the Arrangement Resolution.

“**SpinCo Option Plan Resolution**” means the resolution to be considered and, if thought fit, passed by the Monarch Shareholders at the Meeting to approve the SpinCo Option Plan, to be substantially in the form and content set forth under the following heading in this Circular “*Particulars of Matters to be Acted Upon at the Meeting – Approval of the SpinCo Option Plan*”, subject to the approval of the Arrangement Resolution.

“**SpinCo Options**” means options to purchase SpinCo Shares issued pursuant to the SpinCo Option Plan.

“**SpinCo Properties**” means all of the right, title and interest of Monarch in the mineral properties of Monarch, other than the Acquisition Properties, which for greater certainty, includes the Beaufor Mine, the Croinor Property, the McKenzie Property, the Swanson Property, the Beacon Gold Property, Beacon Mill and the Orbite Property.

“**SpinCo RSU Plan**” means the restricted share unit plan attached hereto as Appendix H to be approved by Monarch Shareholders at the Meeting, subject to the approval of the Arrangement Resolution.

“**SpinCo RSU Plan Resolution**” means the resolution to be considered and, if thought fit, passed by the Monarch Shareholders at the Meeting to approve the SpinCo RSU Plan, to be substantially in the form and content set forth under the following heading in this Circular “*Particulars of Matters to be Acted Upon at the Meeting – Approval of the SpinCo RSU Plan*”, subject to the approval of the Arrangement Resolution.

“**SpinCo Share Units**” means the restricted share units of SpinCo issued pursuant to the SpinCo RSU Plan.

“**SpinCo Shareholder**” means a holder of one or more SpinCo Shares.

“**SpinCo Shares**” means the common shares of SpinCo.

“**Subject Securities**” means collectively, the Monarch Shares, Monarch Options or Monarch Warrants, as applicable, subject to the Support Agreements.

“**SpinCo Subsidiaries**” has the meaning attributed thereto under the following heading in Appendix F of this Circular: “*Information Concerning SpinCo – Corporate Structure and History*”.

“**subsidiary**” means, with respect to a specified entity, any: (a) corporation of which issued and outstanding voting securities of such corporation to which are attached more than 50% of the votes that may be cast to elect directors of the corporation (whether or not shares of any other class or classes will or might be entitled to vote upon the happening of any event or contingency) are owned by such specified entity and the votes attached to those voting securities are sufficient, if exercised, to elect a majority of the directors of such corporation; (b) partnership, unlimited liability company, joint venture or other similar entity in which such specified entity has more than 50% of the equity interests and the power to direct the policies, management and affairs thereof; and (c) a subsidiary (as defined in clauses (a) and (b) above) of any subsidiary (as so defined) of such specified entity.

“**Superior Proposal**” means a *bona fide* Acquisition Proposal (provided, however, that for the purposes of this definition, all references to “20%” in the definition of “Acquisition Proposal” will be changed to “100%”) made in writing on or after the date of the Arrangement Agreement by a third party or parties acting jointly (other than Yamana and its affiliates) that did not result from a breach of Article 5 of the Arrangement Agreement and which or in respect of which: (a) the Monarch Board has determined in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal would, taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction which is (i) in the best interests of Monarch and its stakeholders; and (ii) superior to the Monarch Shareholders from a financial point of view than the Arrangement (taking into account any amendments to the Arrangement Agreement and the Arrangement proposed by Yamana pursuant to Section 5.1(f) of the Arrangement Agreement); (b) is made available to all of the Monarch Shareholders on the same terms and conditions; (c) is not subject to any financing condition and in respect of which adequate arrangements have been made to ensure that the required funds will be available to effect payment in full; (d) is not subject to any due diligence and/or access condition; (e) the Monarch Board has determined in good faith, after consultation with its financial advisors and outside legal counsel, is reasonably capable of being completed in accordance with its terms, without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; and (f) after receiving the advice of outside legal counsel, it would be inconsistent with the fiduciary duties of the Monarch Board to fail to take action in respect thereof.

“**Superior Proposal Notice**” has the meaning attributed thereto under the following heading in this Circular: “*Transaction Agreements – Arrangement Agreement – Non-Solicitation Covenants*”.

“**Superior Proposal Notice Period**” has the meaning attributed thereto under the following heading in this Circular: “*Transaction Agreements – Arrangement Agreement – Non-Solicitation Covenants*”.

“**Support Agreements**” means the voting and support agreements dated November 1, 2020 between Yamana and the Locked-Up Shareholders and other voting and support agreements that may be entered into after such date by Yamana and other Monarch Shareholders, which agreements provide that such Monarch Shareholders will, among other things, vote all of the Subject Securities (which carry the right to vote) of which they are the registered or beneficial holder or over which they have control or direction, in favour of the Arrangement Resolution.

“**Supporting Shareholders**” means, collectively, the Monarch Shareholders, other than the Locked-Up Shareholders, who have entered into Support Agreements.

“**Swanson Property**” means Monarch’s 100% interest in the Swanson property.

“**Tax**” or “**Taxes**” means all taxes, dues, duties, rates, imposts, fees, levies, other assessments, tariffs, charges or obligations of the same or similar nature, however denominated, imposed, assessed or collected by any Governmental Authority, including all income taxes, including any tax on or based on net income, gross income, income as specifically defined, earnings, gross receipts, capital gains, profits, business royalty or selected items of income, earnings or profits, and specifically including any federal, provincial, state, territorial, county, municipal, local or foreign taxes, state profit share taxes, windfall or excess profit taxes, capital taxes, royalty taxes, production taxes, mining taxes, payroll taxes, health taxes, employment taxes, withholding taxes, sales taxes, use taxes, goods and services taxes, custom duties, value added taxes, ad valorem taxes, excise taxes, alternative or add-on minimum taxes, franchise taxes, gross receipts taxes, licence taxes, occupation taxes, real and personal property taxes, stamp taxes, anti-dumping taxes, countervailing taxes, occupation taxes, environment taxes, transfer taxes, and employment or unemployment insurance premiums, social insurance premiums and worker’s compensation premiums and pension (including Canada Pension Plan) payments, and other taxes, fees, imposts, assessments or charges of any kind

whatsoever together with any interest, penalties, additional taxes, fines and other charges and additions that may become payable in respect thereof.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended.

“**taxable capital gain**” has the meaning attributed thereto under the following heading in this Circular: “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*”.

“**Termination Fee**” means the amount of \$8,000,000 payable by Monarch to Yamana in certain circumstances, as set out in the Arrangement Agreement.

“**Transfer**” has the meaning attributed thereto in this Circular under the heading “*Transaction Agreements – The Support Agreements*”.

“**Transfer Agent**” means Computershare, in its capacity as the transfer agent of Monarch.

“**Treasury Regulations**” has the meaning attributed thereto under the following heading in this Circular: “*Certain United States Federal Income Tax Considerations*”.

“**TSX**” means the Toronto Stock Exchange.

“**UK Admission**” has the meaning attributed thereto in the Arrangement Agreement.

“**U.S. Exchange Act**” means the United States *Securities Exchange Act of 1934*, as amended, and the rules and regulations promulgated thereunder.

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

“**Vesting Date**” has the meaning attributed thereto under the following heading in this Circular: “*Named Executive Officer and Director Compensation – Termination and Change of Control Benefits – Marc-André Lavergne*”.

“**Wasamac Property**” means Monarch’s 100% interest in the Wasamac property.

“**Wasamac Technical Report**” means the technical report prepared for Monarch entitled “NI 43-101 Technical Report, Feasibility Study of the Wasamac Project, Rouyn-Noranda, Québec, Canada”, effective as of December 1, 2018, issued on December 3, 2018, prepared by Carl Caumartin, P. Eng., Alain Dorval, P. Eng., John Henning, P. Eng., Richard Jundis, P. Eng., Luciano Piciacchia, P. Eng. and Tudorel Ciuculescu, P. Geo.

“**X-Ore Shares**” means the issued and outstanding common shares of X-Ore Resources Inc., of which 5,582,840 are issued and outstanding as at the date of the Circular, all of which are currently held by Monarch.

“**Yamana**” means Yamana Gold Inc., a corporation organized under the federal laws of Canada.

“**Yamana AIF**” has the meaning attributed thereto under the following heading in this Circular: “*Appendix I – Information Concerning Yamana*”.

“**Yamana Annual MD&A**” has the meaning attributed thereto under the following heading in this Circular: “*Appendix I – Information Concerning Yamana*”.

“**Yamana Interim Financial Statements**” has the meaning attributed thereto under the following heading in this Circular: “*Appendix I – Information Concerning Yamana*”.

“**Yamana Material Adverse Effect**” means any result, fact, change, effect, event, circumstance, occurrence or development that, taken together with all other results, facts, changes, effects, events, circumstances, occurrences or developments, has or would reasonably be expected to have a material and adverse effect on the business, results of operations, capitalization, assets, liabilities (including any contingent liabilities), obligations (whether absolute, accrued, conditional or otherwise), prospects or financial condition of Yamana and its subsidiaries, taken as a whole, provided, however, that any result, fact, change, effect, event, circumstance, occurrence or development that arises

out of, relates directly or indirectly to, results directly or indirectly from or is attributable to any of the following will not be deemed to constitute, and will not be taken into account in determining whether there has been, a Material Adverse Effect: (a) changes, developments or conditions in or relating to general political, economic or financial or capital market conditions in Canada, Brazil, Chile or globally (including any reduction in market indices); (b) any change or proposed change in any Laws or the interpretation, application or non-application of any Laws by any Governmental Authority; (c) changes or developments affecting the global mining industry in general; (d) any outbreak or escalation of hostilities or war or acts of terrorism or any natural disaster or general outbreaks of illness (including COVID-19); (e) any changes in the price of gold, silver, copper or zinc; (f) any generally applicable changes in IFRS; (g) a change in the market price of the Yamana Shares as a result of the announcement of the execution of the Arrangement Agreement or of the transactions contemplated hereby; (h) any action taken (or omitted to be taken) by Yamana or any of its subsidiaries, which is required to be taken (or omitted to be taken) pursuant to the Arrangement Agreement or that is consented to by Monarch in writing; (i) the announcement of the Arrangement Agreement or consummation of the Arrangement or the transactions contemplated hereby; or (j) the failure by Yamana to achieve the results set forth any internal or public projection, forecasts, guidance or estimates regarding its revenues, cash flow, or earnings (it being understood that the causes underlying such failure may be taken into account in determining whether a Yamana Material Adverse Effect has occurred); provided, however, that each of clauses (a) through (d) above will not apply to the extent that any of the changes, developments, conditions or occurrences referred to therein relate primarily to (or have the effect of relating primarily to) Yamana and its subsidiaries taken as a whole or disproportionately adversely affect Yamana and its subsidiaries taken as a whole in comparison to other persons who operate in the gold mining industry and provided further, however, that references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and will not be deemed to be, illustrative or interpretive for purposes of determining whether a Yamana Material Adverse Effect has occurred.

“**Yamana Monarch Warrants**” means Monarch Warrants held by Yamana.

“**Yamana Share Consideration**” means 0.0376 of a Yamana Share for each Monarch Share.

“**Yamana Shareholder**” means a holder of Yamana Shares.

“**Yamana Shares**” means common shares in the capital of Yamana.

GENERAL

Information Contained in this Circular

The information contained in this Circular, unless otherwise indicated, is given as of November 30, 2020.

No person has been authorized to give any information or to make any representation in connection with the matters being considered herein other than those contained in or incorporated by reference in this Circular and, if given or made, such information or representation should not be considered or relied upon. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer of proxy solicitation. Neither the delivery of this Circular nor any distribution of securities referred to herein will, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

Information contained in this Circular should not be construed as legal, tax or financial advice and Monarch Securityholders are urged to consult their own professional advisors in connection with the matters considered in this Circular.

The Arrangement has not been approved or disapproved by any securities regulatory authority (including, without limitation, any securities regulatory authority of any Canadian province or territory, the SEC, or any securities regulatory authority of any U.S. State), nor has any securities regulatory authority passed upon the fairness or merits of the Arrangement or upon the accuracy or adequacy of the information contained in this Circular and any representation to the contrary is unlawful.

Descriptions in this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are only summaries of the terms of those documents and are qualified in their entirety by the full terms and conditions of such documents. Monarch Securityholders should refer to the full text of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. Those documents have been filed by Monarch under its profile on SEDAR and are available at www.sedar.com. In addition, the Plan of Arrangement is attached as Appendix B to this Circular.

Information Contained in this Circular regarding Yamana

The information concerning Yamana and its affiliates contained in this Circular has been provided by Yamana for inclusion in this Circular and should be read together with, and qualified by, the documents of Yamana incorporated by reference herein. Although Monarch has no knowledge that would indicate any statements contained herein relating to Yamana and its affiliates taken from or based upon such information provided by Yamana are untrue or incomplete, neither Monarch nor any of its officers or directors assumes any responsibility for the accuracy or completeness of the information relating to Yamana and its affiliates, or for any failure by Yamana to disclose facts or events that may have occurred or may affect the significance or accuracy of any such information but which are unknown to Monarch.

Currency and Exchange Rates

Unless otherwise indicated herein, references to "\$", "C\$" or "Canadian dollars" are to Canadian dollars, and references to "US\$" or "U.S. dollars" are to United States dollars.

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the indicative exchange rate as reported by the Bank of Canada:

Exchange Rate	Three Months Ended September 30	Years Ended June 30	
	2020 (\$)	2020 (\$)	2019 (\$)
High	1.3616	1.4496	1.3642
Low	1.3042	1.2970	1.2803
Average rate for period	1.3321	1.3417	1.3237
Rate at end of period	1.3339	1.3628	1.3087

On November 30, 2020, the exchange rate for United States dollars expressed in terms of the Canadian dollar, as reported by the Bank of Canada, was US\$1.00 = C\$1.2965.

Forward-Looking Information

This Circular and the documents incorporated into this Circular by reference contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and “forward-looking information” within the meaning of the applicable Canadian securities legislation (forward-looking information and forward-looking statements being collectively herein after referred to as “forward-looking statements”) that are based on expectations, estimates and projections as at the date of this Circular or the dates of the documents incorporated herein by reference, as applicable. These forward-looking statements include but are not limited to statements and information concerning: the Arrangement; intentions, plans and future actions of Yamana, Monarch and SpinCo; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; statements made in, and based upon, the Fairness Opinion; statements relating to the business and future activities of and developments related to Yamana, Monarch and SpinCo after the date of this Circular and prior to the Effective Time and to and of Yamana and SpinCo after the Effective Time; Monarch Securityholder Approval and Court approval of the Arrangement; listing of the SpinCo Shares on the TSX or any other stock exchange; approval of the listing of the Consideration Shares on the TSX, NYSE and LSE; jurisdictions in which SpinCo intends to become a reporting issuer; market position, ability to compete and future financial or operating performance of SpinCo; results of advanced project development studies of SpinCo; future acquisition by SpinCo of additional mineral resource properties; liquidity of Yamana Shares and SpinCo Shares following the Effective Time; Monarch Shareholder approval of the SpinCo Option Plan and the SpinCo RSU Plan; anticipated developments in operations; the future price of metals; the estimation of current and future mineral reserves and resources and the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production and capital expenditures; mine life of mineral projects, the timing and amount of estimated capital expenditure; costs and timing of exploration and development and capital expenditures related thereto; operating expenditures; success of exploration activities, including the discovery of commercial quantities of minerals, estimated exploration budgets; currency fluctuations; requirements for additional capital; government regulation of mining operations; environmental and project risks; unanticipated reclamation expenses; option and/or joint venture agreements; title disputes or claims; indigenous rights; limitations on insurance coverage; the timing and possible outcome of regulatory and permitted matters; goals; strategies; future growth; planned exploration activities and planned future acquisitions; the adequacy of financial resources; the general economic conditions associated with the current outbreak of the novel coronavirus known as COVID-19; and other events or conditions that may occur in the future.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “seeks”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may”, “could”, “would”, “should”, “might”, or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements.

These forward-looking statements are based on the beliefs of Monarch's, Yamana's and SpinCo's management, as the case may be, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, there can be no assurance that the forward-looking statements will prove to be accurate. Such assumptions and factors include, among other things, the satisfaction of the terms and conditions of the Arrangement, including the approval of the Arrangement and its fairness by the Court.

By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Monarch, Yamana and SpinCo to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by forward-looking statements, including, without limitation: the Arrangement is subject to satisfaction or waiver of several conditions; the Arrangement Agreement may be terminated in certain circumstances; Monarch will incur significant costs even if the Arrangement is not completed, and may also be required to pay the Termination Fee to Yamana; the market price of the Monarch Shares may decline if the Arrangement is not completed; the Termination Fee may discourage other parties from attempting to acquire Monarch; Monarch Shareholders and holders of Monarch In-The-Money Options entitled to receive Monarch Option Shares will receive a fixed number of Yamana Shares which will not be adjusted to reflect any change in the market value of the Yamana Shares or Monarch Shares prior to the closing of the Arrangement; general business, economic, competitive, political, regulatory and social uncertainties; risks and uncertainties related to possible foreign operations; uncertainty related to mineral exploration properties; risks related to the ability to finance the continued exploration of mineral properties; risks related to Monarch and SpinCo not having any proven and probable mineral reserves; history of losses of Monarch; risks related to factors beyond the control of Monarch, SpinCo or Yamana; risks related to the reliability of the information regarding Yamana; risks and uncertainties associated with exploration; risks related to Monarch's limited business history; that SpinCo has no business history; risks and uncertainties related to the results of advanced project development studies of SpinCo; the limited number of exploration prospects and properties relied on; risks related to the business combination with Yamana; risks related with the valuation of SpinCo's property, plant and equipment and exploration and evaluation assets; risks related to the security of SpinCo's systems and software; risks related to future acquisitions and joint ventures, such as new geographic, political, operating, financial and geological risks or risks related to assimilating operations and employees; risks related to the prior business of Monarch; risks related to the prior business of Yamana; the potential for additional financings and dilution of the equity interests of Monarch Shareholders and SpinCo Shareholders; that Monarch and SpinCo have no history of mineral production or mining operations; uncertainty as to when, or if, the SpinCo Shares will be listed on the TSX or any other stock exchange; tax risks if the SpinCo Shares are not listed on a designated stock exchange in Canada; risks related to the U.S. federal income tax consequences to U.S. Holders; risks related to the annual assessment by management of the effectiveness of SpinCo's internal control over financial reporting; risks related to public company obligations; risks related to the accuracy of Monarch and SpinCo's financial statements; risks related to the qualification of the funds spent by SpinCo as Canadian exploration expenses; risks related to bankruptcy, liquidation or reorganization of SpinCo; risks related to the nature of mineral exploration and development; discrepancies between actual and estimated mineral reserves and resources; risks caused by factors beyond Monarch's control, such as gold market price volatility, recovery rates of minerals from mined ore, general economic and business conditions and the COVID-19 pandemic; risks related to competition in the mineral industry; risks related to shareholder activism in the mining industry; risks related to regulatory requirements including environmental laws and regulations and liabilities; risks related to obtaining permits and licences and future changes to environmental laws and regulations; risks related to Monarch and SpinCo's inability to obtain insurance for certain potential losses; risk related to gold mining industry competition; environmental risks and hazards, including unknown environmental risks related to past activities; risks related to current or future litigation which could affect Monarch's operations; risks related to political developments and policy shifts; risks related to costs of land reclamation; risks related to Monarch's title to mineral properties; risks related to dependence on key personnel; risks related to amendments to laws; risks related to the involvement of some of the directors and officers of Monarch, SpinCo and Yamana with other natural resource companies active in the Abitibi region; risks related to the market value and the volatility of Monarch Shares and SpinCo Shares; mine life of mineral projects; labour disputes; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; the ability to renew existing licences or permits or obtain required licences and permits; increased infrastructure and/or operating costs; risks of not meeting exploration budget forecasts; risks related to conflicts of interest, including risks related to directors and officers of Monarch possibly having interests in the Arrangement that are different from other Monarch

Shareholders; risks relating to the possibility that more than 5% of Monarch Shareholders may exercise their dissent rights; risks related to the Indemnified Liability (as such term is defined in the Arrangement Agreement) of SpinCo pursuant to the Arrangement Agreement; and legal claims, securities class actions, derivative lawsuits and community and non-governmental actions and regulatory risks.

This list is not exhaustive of the factors that may affect any of forward-looking statements of Monarch, SpinCo and Yamana. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Circular generally and certain economic and business factors, some of which may be beyond the control of Monarch, SpinCo and Yamana. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the heading “*The Arrangement – Risks Associated with the Arrangement*” in this Circular, under the heading “*Risk Factors*” in the Monarch AIF, which is incorporated herein by reference, under the heading “*Risk Factors*”, in the Yamana AIF, which is incorporated herein by reference, and under the heading “*Risk Factors*”, in Appendix F to this Circular, which is incorporated herein by reference. Monarch, SpinCo and Yamana do not intend, and do not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, Monarch Securityholders should not place undue reliance on forward-looking statements.

Scientific and Technical Information

All mineral reserves and mineral resources for Monarch have been estimated in accordance with the standards of the CIM and NI 43-101. All mineral resources are reported exclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Information on data verification performed on the mineral properties of Monarch contained in or incorporated by reference in this Circular that are considered to be material mineral properties to Monarch are contained in the Monarch AIF (as defined herein) and the current technical report for each such property is filed by Monarch under its profile on SEDAR at www.sedar.com. See “*Other Information – Interests of Experts*”.

Note to United States Shareholders

THE ARRANGEMENT AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR SECURITIES REGULATORY AUTHORITIES IN ANY U.S. STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued under the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state securities laws, and are being issued in reliance on the Section 3(a)(10) Exemption thereof on the basis of the approval of the Court, which will be informed of the intention to rely on the Section 3(a)(10) Exemption and will consider, among other things, the substantive and procedural fairness of the Arrangement to Monarch Securityholders as further described in this Circular under the heading “*The Arrangement – U.S. Securities Law Matters*”.

Monarch is a corporation organized and existing under the CBCA and a “foreign private issuer”, as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act. The solicitation of proxies and the transactions contemplated in this Circular involve securities of an issuer located in Canada and are being effected in accordance with Canadian corporate and securities laws and are not subject to the requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by “foreign private issuers” (as defined in Rule 405 of Regulation C under the U.S. Securities Act). Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws. Monarch Securityholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the U.S. Exchange Act.

The financial statements and information included or incorporated by reference in this Circular have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and are subject to Canadian auditing and auditor independence standards and thus may not be comparable to financial statements prepared in accordance with United States generally accepted accounting standards.

This Circular has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ in certain material respects from the disclosure requirements promulgated by the SEC. For example, the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are Canadian mining terms as defined in accordance with the NI 43-101 and the CIM Definition Standards on mineral resources and mineral reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the disclosure requirements promulgated by the SEC. Accordingly, information contained in this Circular, the documents attached hereto and the documents incorporated by reference herein, may not be comparable to similar information made public by U.S. companies reporting pursuant to SEC disclosure requirements.

Monarch Securityholders who are resident in, or citizens of, the United States are advised to review the summary contained in this Circular under the heading “*Certain United States Federal Income Tax Considerations*” and to consult their own tax advisors to determine the particular United States tax consequences to them of the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant non-U.S., state, local or other taxing jurisdiction.

The enforcement by investors of civil liabilities under United States federal or state securities laws may be affected adversely by the fact that Monarch, SpinCo and Yamana are each incorporated or organized outside the United States, that many of their respective officers and directors and the experts named herein are residents of a foreign country, and that some of the assets of Monarch, SpinCo and Yamana and said persons are located outside the United States. As a result, it may be difficult or impossible for Monarch Securityholders to effect service of process within the United States upon Monarch, SpinCo and Yamana, their respective officers or directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, Monarch Securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

SUMMARY

The following is a summary of certain information contained elsewhere or incorporated by reference in this Circular, including the Appendices hereto. This summary is not intended to be complete and is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this Circular, all of which is important and should be reviewed carefully. Certain capitalized terms used in this summary are defined in the “Glossary of Terms” immediately preceding this summary.

The Meeting

The Meeting will be held on December 30, 2020 commencing at 9:30 a.m. (Eastern Time). The Meeting will be conducted via live webcast.

Record Date

The Record Date for determining the Monarch Securityholders entitled to receive notice of and to vote at the Meeting is November 30, 2020. Only Monarch Securityholders of record as of the close of business (Eastern time) on the Record Date are entitled to receive notice of and to vote at the Meeting, or any adjournment or postponement thereof.

Purpose of the Meeting

The purpose of the Meeting is, among other things, for Monarch Securityholders to consider, pursuant to the Interim Order and, if thought advisable, to pass, with or without amendment, the Arrangement Resolution, whereby, among other things, Yamana will acquire all of the issued and outstanding Monarch Shares, following the transfer of the SpinCo Assets and the SpinCo Liabilities to SpinCo. The full text of the Arrangement Resolution is set out in Appendix A of this Circular.

The Arrangement

Details of the Arrangement

On November 1, 2020, Monarch and Yamana entered into the Arrangement Agreement pursuant to which, among other things, Yamana agreed to acquire all of the issued and outstanding Monarch Shares, conditional upon and following the completion of the Spin-Out. The Arrangement will be effected pursuant to a court-approved arrangement under the CBCA. Subject to receipt of the Monarch Securityholder Approval, the Final Order and the satisfaction or waiver of certain other conditions, Yamana will acquire all of the issued and outstanding Monarch Shares on the Effective Date. The Parties intend to rely upon the Section 3(a)(10) Exemption with respect to the issuance of the Monarch Option Shares, Consideration Shares and the SpinCo Consideration Shares pursuant to the Arrangement.

If completed, the Arrangement will result in SpinCo acquiring all of the SpinCo Assets and SpinCo Liabilities immediately prior to the Effective Time, Yamana acquiring all of the issued and outstanding Monarch Shares on the Effective Date and Monarch becoming a wholly-owned subsidiary of Yamana. Pursuant to the Plan of Arrangement, at the Effective Time, Monarch Shareholders will receive \$0.192 in cash, 0.0376 of a Yamana Share and 0.20 of a SpinCo Share for each Monarch Share held at the Effective Time. On completion of the Arrangement, Monarch Shareholders are expected to own approximately 1.3% of the issued and outstanding Yamana Shares and 100% of the issued and outstanding SpinCo Shares.

See “*The Arrangement – Details of the Arrangement*”.

Background to the Arrangement

The Arrangement Agreement is the result of arm’s length negotiations among representatives of Monarch and Yamana and their respective legal and financial advisors, as more fully described herein.

See “*The Arrangement – Background to the Arrangement*”.

Recommendation of the Monarch Board

The Monarch Board unanimously (with Mr. Yohann Bouchard having declared his interest as an officer of Yamana and abstaining from voting on the Arrangement Agreement or the Arrangement) determined that the Arrangement is fair to the Monarch Shareholders, that the Arrangement and the entering into of the Arrangement Agreement are in the best interests of Monarch and recommends that Monarch Securityholders vote **FOR** the Arrangement Resolution.

See “*The Arrangement – Recommendation of the Monarch Board*”.

Reasons for the Recommendation of the Monarch Board

In reaching its conclusions and formulating its recommendation, the Monarch Board consulted with representatives of Monarch’s management team and its legal and financial advisors. The Monarch Board also reviewed a significant amount of technical, financial and operational information relating to Monarch and Yamana and considered a number of factors and reasons, including those listed below. The following is a summary of the principal reasons for the unanimous (with the exception of Mr. Yohann Bouchard) determination of the Monarch Board that the Arrangement is fair to the Monarch Shareholders and is in the best interests of Monarch and the recommendation of the Monarch Board that Monarch Securityholders vote **FOR** the Arrangement Resolution.

- **Significant Premium to Monarch Shareholders.** Yamana has offered Monarch Shareholders a significant premium to the Monarch Share price. The Consideration to be received by the Monarch Shareholders, based on the closing price of the Yamana Shares on the TSX on October 30, 2020 (being the last trading day prior to the announcement of the Arrangement), represents a premium of approximately 43% based on the closing price of the Monarch Shares on the TSX on October 30, 2020 and a premium of 43% to the volume weighted average price of the Monarch Shares on the TSX for the 20-day period ending on October 30, 2020.
- **Continued Exposure to the Acquisition Properties.** Monarch Shareholders, through their ownership of Yamana Shares, will participate in the value associated with the exploration, development and operation of the Acquisition Properties, supported by Yamana’s technical, operational and financial capability.
- **Benefits of Owning Yamana Shares.** The Yamana Shares to be received by Monarch Shareholders in the Arrangement offer Monarch Shareholders an opportunity to own shares in a high-quality, low-cost gold producer, as well as exposure to Yamana’s portfolio of well diversified assets in safe jurisdictions throughout the Americas.
- **Continued Exposure to Other Monarch Assets.** Monarch Shareholders, through their ownership of SpinCo Shares, will have continued exposure to the other Monarch assets being transferred to SpinCo.
- **Access to Capital and Enhanced Capital Markets Exposure.** Yamana has a strong balance sheet with sufficient cash and liquidity to advance its assets. The management team and board of directors of Yamana have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support for Yamana and the Wasamac Property.
- **Alternatives to the Arrangement.** Prior to entering into the Arrangement Agreement, Monarch regularly evaluated business and strategic opportunities with the objective of maximizing shareholder value in a manner consistent with the best interests of Monarch. As part of that process, Monarch entered into a number of confidentiality agreements with various mining companies over the past several years in order to allow for preliminary discussions to occur regarding potential transactions to maximize value for Monarch Shareholders. The Monarch Board assessed the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of Monarch should it continue as a standalone entity, including the challenges faced by Monarch in sourcing the capital required for its business and development objectives on reasonable commercial terms, the lack of potential sources of such capital and the costs and expected significant dilution to Monarch Shareholders that would likely result from obtaining such capital. The Monarch Board, with the assistance of its legal and financial advisors, assessed the alternatives reasonably available to Monarch and determined that the Arrangement represents the best current prospect for maximizing value for Monarch Shareholders.

- **Significant Shareholder Support.** Each of the directors and senior officers of Monarch and certain significant shareholders of Monarch, including Alamos Gold Inc., Typhoon Exploration Inc. and EBC Inc., have entered into Support Agreements with Yamana, in each case pursuant to which they have, subject to the terms and conditions of such agreements, agreed, among other things, to vote all of their Monarch Shares in favour of the Arrangement Resolution. In the aggregate, the parties to these agreements collectively own or control approximately 20.3% of the issued and outstanding Monarch Shares as of the Record Date.
- **Fairness Opinion.** The Financial Advisor provided its opinion to the Monarch Board to the effect that, as of November 1, 2020, and subject to the assumptions, limitations and qualifications set out in the Fairness Opinion, the Consideration to be received by Monarch Shareholders under the Arrangement is fair, from a financial point of view, to Monarch Shareholders other than Yamana.
- **Likelihood of the Arrangement Being Completed.** The likelihood of the Arrangement being completed is considered by the Monarch Board to be high, in light of the experience, reputation and financial capability of Yamana and the absence of significant closing conditions outside the control of Monarch, other than the Monarch Securityholder Approval, the approval by the Court of the Arrangement, the exercise of Dissent Rights by Registered Holders of no more than 10% of the Monarch Shares and certain other customary closing conditions.

See “*The Arrangement – Reasons for the Recommendation of the Monarch Board*”.

Fairness Opinion

Pursuant to an engagement letter dated as of October 28, 2020, the Financial Advisor was retained by the Monarch Board to, among other things, deliver an opinion as to the fairness of the Consideration to be received under the Arrangement, from a financial point of view, to the Monarch Shareholders other than Yamana. On November 1, 2020, the Financial Advisor delivered to the Monarch Board its oral opinion, later confirmed in writing, that, on the basis of the particular assumptions and limitations set forth therein, as of such date, the Consideration to be received by the Monarch Shareholders under the Arrangement is fair, from a financial point of view, to the Monarch Shareholders other than Yamana.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, matters considered, procedures followed and limitations and qualifications in connection with the Fairness Opinion, is set forth in Appendix C to this Circular. **This summary of the Fairness Opinion is qualified in its entirety by the full text of the opinion and Monarch Shareholders are urged to read the Fairness Opinion in its entirety.**

See “*The Arrangement – Reasons for the Recommendation of the Monarch Board – Fairness Opinion*”.

Principal Steps of the Arrangement

The following description of the Plan of Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, which is attached as Appendix B to this Circular and which has been filed by Monarch (as Schedule A to the Arrangement Agreement) under its profile on SEDAR at www.sedar.com.

If the Arrangement Resolution is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to completion of the Arrangement are satisfied or waived, the Arrangement will take effect commencing and effective as at the Effective Time (which will be at 12:01 a.m. (Eastern time)) on the Effective Date, which is expected to occur as soon as practicable following receipt of the Final Order.

The following preliminary steps will occur prior to, and will be conditions precedent to, the implementation of the Plan of Arrangement:

- (a) Monarch will have incorporated SpinCo pursuant to the CBCA;
- (b) Monarch will have subscribed for the Initial SpinCo Share for \$1.00 and SpinCo will have issued the Initial SpinCo Share to Monarch, and Monarch and SpinCo will file an election under section 85 of the Tax Act as specified in the Arrangement Agreement; and
- (c) Monarch, SpinCo and Yamana will have entered into the SpinCo Conveyance Agreement.

Commencing at the Effective Time, each of the following principal steps will occur and will be deemed to occur without any further act or formality, in the order and timing set out below:

- (a) each Dissent Share will be, and will be deemed to be, surrendered to Monarch by the holder thereof, without any further act or formality by or on behalf of the Dissenting Monarch Shareholder, free and clear of all Encumbrances, and each such Monarch Share so surrendered will be cancelled and thereupon each Dissenting Monarch Shareholder will cease to have any rights as a holder of such Dissent Shares other than a claim against Monarch in an amount determined and payable in accordance with the Plan of Arrangement and the name of such Dissenting Monarch Shareholder will be removed from the securities register of Monarch Shareholders;
- (b) each Monarch Out-Of-The-Money Option will be cancelled without any payment in respect thereof and the holder thereof will cease to be the holder of such Monarch Option, will cease to have any rights as a holder in respect of such Monarch Option, will be removed from the register of Monarch Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders with respect thereto;
- (c) each Monarch In-The-Money Option will be surrendered and cancelled and the relevant Monarch Optionholder will receive a payment from Monarch, in the form of Monarch Option Shares, having a fair market value equal to the relevant In-the-Money Amount, net of applicable source deductions, and Monarch Option Shares issuable in connection therewith will be deemed to be issued to such Monarch Optionholder as fully paid and non-assessable Monarch Shares, provided that no share certificates will be issued with respect to such Monarch Option Shares, and the holder thereof will cease to be the holder of such Monarch Option, will cease to have any rights as a holder in respect of such Monarch Option, will be removed from the register of Monarch Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders with respect thereto;
- (d) Monarch will transfer all of its entire legal and beneficial right, title and interest in and to the SpinCo Assets to SpinCo in consideration for (i) the Distribution SpinCo Shares equal to the product of 0.2 multiplied by the number of Monarch Shares issued and outstanding immediately prior to the transfer in accordance with the Plan of Arrangement, and (ii) the assumption by SpinCo of the SpinCo Liabilities, all in accordance with the terms of the SpinCo Conveyance Agreement;
- (e) each Monarch Share held by a Non-Resident Holder (excluding, for the avoidance of doubt, any Dissent Shares) will be deemed to be transferred and assigned, without any further act or formality on the part of the Non-Resident Holder, to Yamana (free and clear of any Encumbrances), in exchange for the Consideration (including the right to receive the SpinCo Shares forming part of the Consideration), and upon such transfer:
- (f) in the course of a reorganization of Monarch's authorized and issued share capital:
 - (i) the articles of Monarch will be amended to add the Monarch Class A Shares;
 - (ii) each issued and outstanding Monarch Share (including any Monarch Shares acquired by Yamana from a Non-Resident Holder in accordance with the Plan of Arrangement, but excluding, for the

avoidance of doubt, any Dissent Shares) will be exchanged with Monarch (free and clear of any Encumbrances) for one Monarch Class A Share and 0.20 of a Distribution SpinCo Share;

- (g) the Initial SpinCo Share held by Monarch will be cancelled without any payment therefor and Monarch will be removed from the register of holders of SpinCo Shares;
- (h) Yamana will deliver to each Non-Resident Holder whose Monarch Shares were transferred to Yamana pursuant to Section 3.2(g) of the Plan of Arrangement, such number of SpinCo Shares as are deliverable by Yamana to such Non-Resident Holder, and upon such delivery Yamana will be removed from the securities register of holders of SpinCo Shares and each such Non-Resident Holder will be entered in the securities register of holders of SpinCo Shares in respect of the SpinCo Shares delivered to such Non-Resident Holder;
- (i) each Monarch Class A Share (excluding any Monarch Class A Shares held by Yamana) issued pursuant to the Plan of Arrangement will be and will be deemed to be transferred and assigned by the holder thereof, without any further act or formality on its part, to Yamana (free and clear of any Encumbrances), in exchange for the Yamana Share Consideration and the Cash Consideration; and
- (j) each Monarch Certificated Warrant outstanding immediately prior to the Effective Time (other than Monarch Certificated Warrants owned by Yamana) will be exchanged by the holder thereof, without any further act or formality and free and clear of all Encumbrances, for:
 - (i) a Replacement Yamana Warrant; and
 - (ii) a Replacement SpinCo Warrant.

See “*The Arrangement – Principal Steps of the Arrangement*”.

Regulatory Matters and Approvals

Securityholder Approval

In order for the Arrangement to become effective, as provided in the Interim Order and by the CBCA, the Arrangement Resolution must be approved, with or without variation, by the affirmative vote of (i) at least 66 $\frac{2}{3}$ % of the votes cast by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) a simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any “interested party”, any “related party” of an “interested party” or any “joint actor” of the foregoing (as such terms are defined under MI 61-101), which also satisfies the TSX requirement that the Arrangement be approved by the Monarch Shareholders without taking into account the votes of Monarch Optionholders.

Should the Monarch Securityholders fail to approve the Arrangement Resolution by the requisite majority, the Arrangement will not be completed. Notwithstanding the foregoing, the Arrangement Resolution authorizes the Monarch Board, without further notice to or approval of the Monarch Securityholders, to revoke the Arrangement Resolution at any time prior to the Effective Time if they decide not to proceed with the Arrangement.

See “*The Arrangement – Regulatory Matters and Approvals – Securityholder Approval*”.

Court Approvals

The Arrangement requires approval by the Court under Section 192 of the CBCA. Prior to the mailing of this Circular, on November 30, 2020, Monarch obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters.

Under the terms of the Arrangement Agreement, if the Arrangement Resolution is approved by Monarch Securityholders at the Meeting in the manner required by the Interim Order, Monarch is required to seek the Final Order as soon as reasonably practicable, but in any event not later than two Business Days following the Meeting. The application for the Final Order approving the Arrangement is currently scheduled for January 20, 2021 at 9:00 a.m. (Eastern time), or as soon thereafter as counsel may be heard or at any other date and time as the Court may direct.

Monarch has been advised by its counsel, Stein Monast LLP, that the Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, Monarch and/or Yamana may determine not to proceed with the Arrangement.

See “*The Arrangement – Regulatory Matters and Approvals – Court Approvals*”.

Regulatory Approvals

Pursuant to the Arrangement Agreement, it is a mutual condition precedent to completion of the Arrangement that all of the Regulatory Approvals will have been obtained.

See “*The Arrangement – Regulatory Matters and Approvals – Regulatory Approvals*”.

Stock Exchange Listing Approval and Desisting Matters

The Monarch Shares currently trade on the TSX under the symbol “MQR”, the OTCQX under the symbol “MRQRF” and the Frankfurt Stock Exchange under the symbol “MR7.F”. It is a condition to the completion of the Arrangement, in favour of Yamana, that the SpinCo Shares will have been conditionally approved for listing on the TSX, or such other recognized stock exchange mutually agreed to with Yamana on or before the Effective Date. See “*Risk Factors – Risk Factors Relating to SpinCo Following Completion of the Arrangement*”. Following the Effective Date, the Monarch Shares will be delisted from the TSX (anticipated to be effective one to two Business Days following the Effective Date) and Yamana expects to apply to the applicable Canadian securities regulators to have Monarch cease to be a reporting issuer.

The Yamana Shares currently trade on the TSX under the symbol “YRI”, the NYSE under the symbol “AUY” and the LSE under the symbol “AUY”. It is a condition to the completion of the Arrangement, in favour of Monarch, that the TSX will have conditionally approved the listing of the Consideration Shares issuable pursuant to the Arrangement on the TSX, and that the NYSE, subject to official notice of issuance, will have approved the listing of the Consideration Shares on the NYSE. It is a condition to the completion of the Arrangement that Yamana will have applied to the FCA and the LSE for the UK Admission.

See “*The Arrangement – Regulatory Matters and Approvals – Stock Exchange Listing Approval and Delisting Matters*”.

Canadian Securities Law Matters

Monarch is a reporting issuer in British Columbia, Alberta, Ontario and Québec. The Monarch Shares currently trade on the TSX, the OTCQX and the Frankfurt Stock Exchange. Following the Effective Date, the Monarch Shares will be delisted from the TSX (anticipated to be effective one to two Business Days following the Effective Date) and Yamana expects to apply to the applicable Canadian securities regulators to have Monarch cease to be a reporting issuer.

Upon completion of the Arrangement, SpinCo expects that it will be a reporting issuer in British Columbia, Alberta, Ontario and Québec. SpinCo has applied to have the SpinCo Shares listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved SpinCo's listing application and there can be no assurance that the TSX will approve the listing of the SpinCo Shares. There can be no assurance as to if, or when, the SpinCo Shares will be listed or traded. As the SpinCo Shares are not listed on a stock exchange, unless and until such a listing is obtained, holders of SpinCo Shares may not have a market for their SpinCo Shares. See “*Risk Factors – Risk Factors Relating to SpinCo Following Completion of the Arrangement*”.

Yamana is a reporting issuer in all of the provinces and territories of Canada. The Yamana Shares currently trade on the TSX, the NYSE and the LSE and following the Effective Date, the Yamana Shares will remain listed on the TSX, the NYSE and the LSE.

See “*The Arrangement – Regulatory Matters and Approvals – Canadian Securities Law Matters*”.

United States Securities Law Matters

The Monarch Option Shares, Consideration Shares and SpinCo Shares to be issued pursuant to the Arrangement will not be registered under the U.S. Securities Act and will be issued in reliance upon the Section 3(a)(10) Exemption. The Consideration Shares and SpinCo Shares to be held by Monarch Securityholders following completion of the Arrangement will not be subject to resale restrictions under U.S. federal securities laws, except by persons who are affiliates of Yamana (with respect to the Consideration Shares) or affiliates of SpinCo (with respect to the SpinCo Shares) at the time of their proposed transfer or within 90 days prior to their proposed transfer.

See “*The Arrangement – Regulatory Matters and Approvals – Canadian Securities Law Matters*”.

Transaction Agreements

Arrangement Agreement

On November 1, 2020, Monarch and Yamana entered into the Arrangement Agreement pursuant to which, among other things, Yamana agreed to acquire all of the issued and outstanding Monarch Shares, conditional upon and following the completion of the Spin-Out.

See “*Transaction Agreements – The Arrangement Agreement*” and the Arrangement Agreement, which has been filed by Monarch under its profile on SEDAR at www.sedar.com.

Support Agreements

On November 1, 2020, Yamana entered into the Support Agreements with each of the Locked-Up Shareholders. In addition, Yamana entered into Support Agreements with the Supporting Shareholders on similar terms as the Support Agreements entered into with the Locked-Up Shareholders.

See “*Transaction Agreements – Support Agreements*” and the forms of Support Agreements, which have been filed by Monarch under its profile on SEDAR at www.sedar.com.

Risk Factors

In assessing the Arrangement, readers should carefully consider the risks described below which relate to the Arrangement and the failure to complete the Arrangement. Monarch Securityholders should also carefully consider the risk factors relating to Monarch described under the heading “*Risk Factors*” in the Monarch AIF, under the heading “*Risk Factors*” in the Yamana AIF and under the heading “*Risk Factors*” in Appendix F to this Circular. Readers are cautioned that such risk factors are not exhaustive and additional risks and uncertainties, including those currently unknown or considered immaterial to Monarch, may also adversely affect Monarch, Yamana or SpinCo prior to the Arrangement or following completion of the Arrangement.

See “*Risk Factors*”.

Dissent Rights

The Interim Order provides that each Registered Holder will have the right to dissent and, if the Arrangement becomes effective, to have his or her Monarch Shares cancelled in exchange for a cash payment from Monarch equal to the fair value of the Monarch Shares held by such Dissenting Monarch Shareholder determined as of the close of business on the day before the Arrangement Resolution is adopted. If a Dissenting Monarch Shareholder fails to strictly comply with the requirements of the Dissent Rights set out in section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, it will lose its Dissent Rights.

See “*Dissent Rights*”.

Certain Canadian Federal Income Tax Considerations

A Resident Holder will generally be deemed to receive a dividend from Monarch to the extent that the fair market value of the SpinCo Shares received by the Resident Holder pursuant to the Arrangement exceeds the paid-up capital (as determined for the purposes of the Tax Act) attributable, on a pro rata basis, to the Monarch Shares (i.e. former common shares of Monarch) exchanged for Monarch Class A Shares and SpinCo Shares. The fair market value, however, of the SpinCo Shares at the time of this exchange is expected to be less than the paid-up capital of the exchanged Monarch Shares immediately before the exchange and consequently Resident Holders should not be deemed to receive a dividend from Monarch for purposes of the Tax Act on this exchange.

The cost of the Monarch Class A Shares acquired on the exchange of Monarch Shares by a Resident Holder will be deemed to be equal to the amount, if any, by which the Resident Holder's adjusted cost base of the Monarch Shares exceeds the fair market value of the SpinCo Shares received on the exchange. A Resident Holder's adjusted cost base of SpinCo Shares acquired on the exchange of its Monarch Shares will be equal to the fair market value, at the time of the exchange, of the SpinCo Shares acquired by such shareholder on the exchange.

Generally on the exchange of Monarch Shares for Monarch Class A Shares and SpinCo Shares, a capital gain (or capital loss) may also be realized by a Resident Holder who holds the Monarch Shares as capital property, equal to the amount by which (a) the aggregate of the cost of the SpinCo Shares and Monarch Class A Shares received, determined as described above, less the amount of any dividend deemed to be received on the exchange, exceeds (or is less than); (b) the aggregate of the adjusted cost base of the Monarch Shares exchanged and any reasonable costs of disposition.

A Monarch Class A Shareholder generally should be able to exchange Monarch Class A Shares for Yamana Shares and the Cash Consideration under the Arrangement on a fully or partially tax-deferred rollover basis by making an appropriate Section 85 Election with Yamana. A Monarch Class A Shareholder who does not make a Section 85 Election, and who holds Monarch Class A Shares as capital property will generally realize a capital gain (or a capital loss) equal to the amount by which the fair market value of the consideration received by the Monarch Class A Shareholder from Yamana under the Arrangement exceeds (or is less than) the adjusted cost base to the Monarch Class A Shareholder of the Monarch Class A Shares so exchanged and any reasonable costs of disposition.

Non-Resident Holders will not be taxable in Canada generally with respect to any capital gains realized on the transfer of Monarch Shares to Yamana pursuant to the Arrangement so long as such shares do not constitute "taxable Canadian property", as defined in the Tax Act, of the Non-Resident Holder.

The foregoing summary in respect of the proposed Arrangement is qualified in its entirety by the more detailed discussion in this Circular. See "*Certain Canadian Federal Income Tax Considerations*".

Certain U.S. Federal Income Tax Considerations

U.S. federal income tax consequences to a U.S. Holder of the receipt of the Consideration pursuant to the Arrangement depend in part on whether the exchange of Monarch Shares for the Consideration is characterized as a single, integrated transaction in which the Monarch Shares are disposed of for New Shares and cash or whether the distribution of SpinCo Shares to Monarch Shareholders is treated as separate from the subsequent sale of Monarch Shares to Yamana for Yamana Shares and cash. Monarch and Yamana intend to take the position that the receipt of Consideration in exchange for Monarch Shares will be characterized as a single, integrated transaction that qualifies as an exchange for U.S. federal income tax purposes.

If the receipt of Consideration in exchange for Monarch Shares is considered a single, integrated transaction, a U.S. Holder would generally recognize gain or loss equal to the difference, if any, between (i) the sum of the U.S. dollar value of the cash and the fair market value of the New Shares received and (ii) such U.S. Holder's adjusted tax basis in the Monarch Shares surrendered in exchange therefor. Subject to the PFIC rules discussed below in "*Certain United States Federal Income Tax Considerations – Passive Foreign Investment Company Considerations*", such recognized gain or loss would generally constitute capital gain or loss from sources within the United States, and would constitute long-term capital gain or loss if the U.S. Holder's holding period for the Monarch Shares exchanged is greater than one year as of the date of the exchange. Certain non-corporate U.S. Holders are entitled to preferential tax rates with respect to net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is

limited. A U.S. Holder's basis in each of the Yamana Shares and the SpinCo Shares will be equal to the fair market value of such shares. The holding period in such shares will begin on the day after the date of the Arrangement.

There can be no assurance, however, that that IRS would not challenge this treatment as a single transaction and seek to treat the distribution of SpinCo Shares to Monarch Shareholders as separate from the subsequent sale of Monarch Shares for Yamana Shares and cash. If such challenge were sustained, a U.S. Holder generally would be required to treat the fair market values of the SpinCo Shares as a distribution by Monarch. A U.S. Holder would include such distribution in gross income as a dividend (without reduction for any non-U.S. tax withheld from the distribution) to the extent of Monarch's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). If such distribution to such U.S. Holder exceeds Monarch's current and accumulated earnings and profits, then to the extent of the excess, such distribution generally will be treated first as a non-taxable return of capital with respect to a Monarch Share to the extent of such U.S. Holder's adjusted tax basis in each such Monarch Share and then as gain from the sale or exchange of each such Monarch Share. Such gain generally will be long-term capital gain if such U.S. Holder held such Monarch Shares for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. Monarch has not maintained and does not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder will generally be required to include the entire amount of any such distribution in income as a dividend. A U.S. Holder's basis in the SpinCo Shares received as a dividend would be equal to the fair market value of the SpinCo shares on the date of distribution. The holding period in such shares would begin on the day after the date of the Arrangement.

Further, if the receipt of the Consideration is not treated as a single transaction and the transaction is treated as a distribution of SpinCo Shares to Monarch Shareholders followed by a subsequent sale of Monarch Shares for Yamana Shares and cash, a U.S. Holder would generally recognize gain or loss equal to the difference, if any, between (i) the sum of the U.S. dollar value of the cash and the fair market value of the Yamana Shares received and (ii) such U.S. Holder's adjusted tax basis in the Monarch Shares surrendered in exchange therefor. Subject to the PFIC rules, such recognized gain or loss would generally constitute capital gain or loss from sources within the United States, and would constitute long-term capital gain or loss if the U.S. Holder's holding period for the Monarch Shares exchanged is greater than one year as of the date of the exchange. Certain non-corporate U.S. Holders are entitled to preferential tax rates as net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. A U.S. Holder's basis in the Yamana Shares would be equal to the fair market value of the Yamana Shares. The holding period in such shares would begin on the day after the date of the Arrangement.

The foregoing summary in respect of the proposed Arrangement is qualified in its entirety by the more detailed discussion in this Circular. See "*Certain United States Federal Income Tax Considerations*".

Information Concerning Monarch

Monarch is an emerging gold mining company focused on pursuing growth through its large portfolio of quality projects in the Abitibi mining camp, in Québec, Canada. Monarch currently owns over 315 km² of gold properties in the Abitibi mining camp in Québec, Canada, including the Wasamac Property, the Beaufor Mine, the Croinor Property, the McKenzie Property, the Swanson Property and the Camflo Property. The Corporation also owns the fully permitted and functional Camflo mill and the Beacon Mill. The Corporation's only material property is the Wasamac Property.

See Appendix E "*Information Concerning Monarch*".

Information Concerning SpinCo

SpinCo was incorporated under the CBCA on November 11, 2020 for the purposes of the Arrangement. SpinCo is currently a private company and a wholly-owned subsidiary of Monarch.

See Appendix F "*Information Concerning SpinCo*".

Information Concerning Yamana

Yamana is a Canadian-based precious metals producer with significant gold and silver production, development stage properties, exploration properties, and land positions throughout the Americas, including Canada, Brazil, Chile and Argentina. Yamana plans to continue to build on this base through expansion and optimization initiatives at existing operating mines, development of new mines, the advancement of its exploration properties and, at times, by targeting other consolidation opportunities with a primary focus in the Americas.

Yamana's portfolio includes five operating gold mines and various advanced and near development stage projects and exploration properties in Canada, Brazil, Chile, and Argentina. Yamana operates its mines and projects under common corporate oversight. Within this structure Jacobina, El Peñón and Canadian Malartic are Yamana's material producing mines and among the largest contributors to operating cash flow.

See Appendix I "*Information Concerning Yamana*".

Information Concerning Yamana Following the Arrangement

On completion of the Arrangement, Yamana will own all of the outstanding Monarch Shares and, pursuant to the Arrangement, Monarch will be a wholly-owned subsidiary of Yamana. Following completion of the Arrangement, Monarch Shareholders are expected to own approximately 1.3% of the outstanding Yamana Shares.

See Appendix J "*Information Concerning Yamana Following the Arrangement*".

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is provided in connection with the solicitation of proxies by the management of Monarch for use at the Meeting, to be held on December 30, 2020, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors, officers and employees of Monarch. Directors, officers and employees of Monarch will not receive any additional compensation for such activities. Monarch has engaged Laurel Hill Advisory Group as its Proxy Solicitation Agent, to provide shareholder advisory and proxy solicitation services for a fee of \$45,000 in addition to certain out-of-pocket expenses. The cost of engaging the Proxy Solicitation Agent will be borne by Yamana in accordance with the terms of the Arrangement Agreement. Arrangements will also be made with brokerage firms and other nominees, including receivers, trustees and agents for the forwarding of proxy solicitation documents to the beneficial owners of the Monarch Shares in accordance with the provisions of *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”). Monarch may also reimburse brokers and other intermediaries holding Monarch Shares in their name or in the name of nominees for their costs incurred in sending proxy materials to their principals in order to obtain their proxies. Monarch may use Broadridge’s QuickVote™ service to assist Non-Registered Holders with voting their Monarch Shares. Other than the fees paid to the Proxy Solicitation Agent, all costs of solicitation by management will be borne by Monarch at nominal cost.

Meeting Format

To address potential issues arising from the unprecedented public health impact of COVID-19, comply with applicable public health directives that may be in force at the time of the Meeting, and to limit and mitigate risks to the health and safety of our communities, Monarch Securityholders, employees, directors and other stakeholders, we will be holding the Meeting in a virtual only format, which will be conducted via live webcast. Monarch Securityholders will not need to, or be able to, physically attend the Meeting. **Monarch will continue to monitor the situation as it evolves. It is possible that we may need to change the date, time or means of the Meeting due to the COVID-19 pandemic. We will communicate any changes or updates about the Meeting on our website or through a press release.**

The Meeting will be conducted via live webcast. In order to attend, participate, vote or ask questions at the Meeting, Monarch Securityholders or duly appointed proxyholders must have a valid username. Guests are welcome to attend and view the webcast, but will be unable to participate in or vote at the Meeting. To join as a guest please visit the Meeting online at <https://web.lumiagm.com/201893367> and select “Join as a Guest” when prompted.

Registered Holders or Monarch Optionholders and duly appointed proxyholders will be able to access the Meeting online at <https://web.lumiagm.com/201893367>. Such Persons may enter the Meeting by clicking “I have a login” and entering a username and password before the start of the Meeting:

- **Registered Holder or a Monarch Optionholder:** The 15-digit control number located on the form of proxy is the username. The password for the Meeting is “monarch2020” (case sensitive). If as a Registered Holder or Monarch Optionholder you are using your control number to access the Meeting and you accept the terms and conditions, you will be provided with the opportunity to vote by online ballot on the matters put forth at the Meeting. If you chose to vote online during the Meeting and you have previously submitted a proxy, your online vote will automatically revoke all previously submitted proxies for the Meeting.
- **Duly appointed proxyholders:** Monarch Securityholders who wish to appoint a third-party proxyholder to represent them at the Meeting (including Non-Registered Holders who wish to appoint themselves as proxyholder to attend, participate in or vote at the Meeting) MUST submit their duly completed form of proxy or VIF, as applicable, AND register the proxyholder in advance of the proxy cut-off at 9:30 a.m. (Eastern time) on December 28, 2020. Following registration of a proxyholder, the Transfer Agent will provide duly appointed proxyholders with a username by e-mail after the voting deadline has passed. The password for the Meeting is “monarch2020” (case sensitive). **Non-Registered Holders who have not duly appointed themselves as proxyholder will be able to attend the Meeting as a guest but will not be able to participate in or vote at the Meeting.**

Registered Holders or Monarch Optionholders

Voting Options

If you are a Registered Holder or a Monarch Optionholder as at November 30, 2020 (the “**Record Date**”), you are entitled to attend the Meeting and cast a vote for each Monarch Share registered in your name and/or each Monarch Share issuable on exercise of Monarch Options held by you, as applicable, on the Arrangement Resolution, with all Registered Holders and Monarch Optionholders, voting together as a single class.

In addition, if you are a Registered Holder as at the Record Date, you are entitled to attend the Meeting and cast a vote for each Monarch Share registered in your name on the following matters (the “**Shareholder Matters**”):

1. electing the following directors of Monarch to serve for the ensuing year: Michel Bouchard, Yohann Bouchard, Guylaine Daigle, Laurie Gaborit, Jean-Marc Lacoste and Christian Pichette;
2. appointing KPMG LLP, Chartered Professional Accountants as the external auditors of Monarch and authorizing the directors to set the auditors’ compensation;
3. subject to approval of the Arrangement Resolution, approving a stock option plan for SpinCo and approving all unallocated stock option entitlements under the stock option plan;
4. subject to approval of the Arrangement Resolution, approving a restricted share unit plan for SpinCo and approving all unallocated restricted share unit entitlements under the restricted share unit plan; and
5. transacting such further or other business as may properly come before the Meeting or any adjournments or postponements thereof.

If you are a Registered Holder or Monarch Optionholder but do not wish to, or cannot, attend the Meeting virtually, you can appoint someone who will attend the Meeting and act as your proxyholder to vote in accordance with your instructions. If your Monarch Shares are registered in the name of a “nominee” (usually a bank, trust company, securities dealer or other financial institution) you should refer to the section entitled “*Non-Registered Holders*” set out below.

It is important that your Monarch Shares and/or Monarch Options, as applicable, be represented at the Meeting regardless of the number of Monarch Shares and/or Monarch Options you hold. If you will not be attending the Meeting virtually, we encourage you to complete, date, sign and return your form of proxy as soon as possible so that your Monarch Shares and/or Monarch Options, as applicable, will be represented.

As a Registered Holder or Monarch Optionholder you can vote in the following ways:

Virtual	Attend the Meeting virtually and complete a ballot online during the Meeting. Do not fill out and return your form of proxy if you intend to vote virtually at the Meeting. We anticipate that once voting has opened during the Meeting the resolutions and voting choices will be displayed and you will be able to vote by selecting your voting direction from the options shown on the screen. You must click submit for your vote to be counted.
Phone	Call 1-866-732-VOTE (8683) (toll-free in North America) and follow the instructions. You will need to enter your 15-digit control number. Follow the interactive voice recording instructions to submit your vote.
Mail	Enter voting instructions, sign the form of proxy and send your completed form to:
	Computershare Investor Services Inc. Attention: Proxy Department 100 University Avenue 8th Floor Toronto, Ontario M5J 2Y1
Fax	Enter voting instructions, sign the form of proxy and fax your completed form to 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America).

Internet	Go to www.investorvote.com . Enter the 15-digit control number printed on the form of proxy and follow the instructions on screen. You can also scan the QR code indicated on the proxy form with a smartphone to complete the proxy form.
Questions?	Call the Laurel Hill Advisory Group at 1-877-452-7184 (North American Toll-Free) or 1-416-304-0211 (Outside North America) or by email at assistance@laurelhill.com .

Appointment of Proxies

A form of proxy is a document that authorizes someone to attend the Meeting and cast your votes for you. We have enclosed a form of proxy with this Circular. You should use it to appoint a proxyholder, although you can also use any other legal form of proxy.

If you do not attend the Meeting virtually, you can still make your vote(s) count by appointing someone who will be there to act as your proxyholder at the Meeting. You can appoint the persons named in the enclosed forms of proxy or appoint any other person or entity (who need not be a Monarch Securityholder) to attend the Meeting and act on your behalf. Regardless of who you appoint as your proxyholder, you can either instruct that person or company how you want to vote or you can let him or her decide for you. You can do this by completing a form of proxy. In order to be valid, you must return the completed form of proxy before 9:30 a.m. on December 28, 2020, or 48 hours, excluding Saturdays, Sundays and holidays, prior to the date of any adjourned or postponed Meeting, to the transfer agent, Computershare at Computershare Investor Services Inc., attention: Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or by fax at 1-866-249-7775 (toll-free in North America) or 1-416-263-9524 (outside North America).

The persons named in the enclosed forms of proxy are directors and/or officers of Monarch and have been chosen by the Monarch Board. A Monarch Securityholder who wishes to appoint some other person to represent such Monarch Securityholder at the Meeting may do so by crossing out the name on the form of proxy and inserting the name of the person proposed as proxyholder in the blank space provided in the enclosed form of proxy **AND** the proxyholder must be registered in an additional step to be completed **AFTER** you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a four-character control number that is required to vote at the Meeting and only being able to attend as a guest.

Step 1: Submit your form of proxy or voting instruction form: To appoint a third party proxyholder, insert that person's name in the blank space provided in the form of proxy or voting instruction form (if permitted) and follow the instructions for submitting such form of proxy or voting instruction form. This must be completed before registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy or voting instruction form.

Step 2: Register your proxyholder: To register a third party proxyholder, Monarch Securityholders must visit <http://www.computershare.com/MonarchGold> by no later than 9:30 a.m. (Eastern time) on December 28, 2020 and provide Computershare with the required proxyholder contact information so that Computershare may provide the proxyholder with a four-character control number via email. Without a control number, proxyholders will not be able to vote at the Meeting but will be able to participate as a guest.

Any Monarch Securityholder who is an individual must sign his or her name as it appears in the share ledger of Monarch. For any Monarch Securityholder that is a corporate body, the proxy form must be signed by a duly authorized officer or representative of the corporate body. If your Monarch Shares are registered in the name of more than one owner, then all those registered should sign the proxy form. If the Monarch Shares are registered in the name of a liquidator, director or trustee, these persons must sign the exact name appearing in the ledger. If your Monarch Shares are registered in the name of a deceased Monarch Shareholder, the name of the deceased Monarch Shareholder must be printed in block letters in the space provided for that purpose. The proxy form must be signed by the legal representative, who must print his or her name in block letters under his or her signature, and proof of his or her authority to sign on behalf of the Monarch Shareholder must be appended to the proxy form.

Instructing your Proxy and Exercise of Discretion by your Proxy

You may indicate on your form of proxy how you wish your proxyholder to vote your Monarch Shares and/or Monarch Options. To do this, simply mark the appropriate boxes on the form of proxy. If you do this, your proxyholder must vote your Monarch Shares and/or Monarch Options in accordance with the instructions you have given.

Unless otherwise directed, it is management's intention to vote **FOR** all matters to be voted on at the Meeting. If you return a signed proxy do not specify how you want your Monarch Shares and/or Monarch Options, as applicable, voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** all matters to be voted on at the Meeting.

Further details about these matters are set out in this Circular. The enclosed forms of proxy give the persons named on the form the authority to use their discretion in voting on amendments or variations to matters identified on the Notice of Meeting. At the time of printing this Circular, the management of Monarch is not aware of any other matter to be presented for action at the Meeting. If, however, other matters do properly come before the Meeting, the persons named on the enclosed forms of proxy will vote on them in accordance with their best judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

Revoking your Proxy

Any Monarch Securityholder who grants a proxy is at liberty to revoke such proxy by filing a written notice of revocation, including another proxy form indicating a later date, signed by the Monarch Securityholder or his or her proxyholder duly authorized in writing. For any Monarch Securityholder that is a corporate body, this written notice of revocation or proxy form must be signed by a duly authorized officer or representative. The act of appointing a new proxyholder results in the revocation of any previous act appointing another proxyholder. The written notice of revocation, including another proxy form indicating a later date, must be sent to (i) Computershare at Computershare Investor Services Inc., attention: Proxy Dept., 100 University Avenue 8th Floor, Toronto, Ontario M5J 2Y1 by no later than two Business Days preceding the date of the Meeting or of any adjournment or postponement thereof, (ii) the head office of Monarch located at 70, Dalhousie Street, Suite 300, Québec, Québec, G1K 4B2 on the last clear Business Day preceding the date of the Meeting or of any adjournment or postponement thereof, or (iii) the Chairperson of the Meeting on the day the Meeting is being held or on any adjournment or postponement thereof. If you revoke your proxy and do not replace it with another that is deposited with us before the deadline, you can still vote your Monarch Shares and/or Monarch Options, but to do so you must attend the Meeting virtually.

Non-Registered Holders

All Monarch Options are registered in the names of the holders thereof and accordingly, the following section is not applicable to Monarch Optionholders. If your Monarch Shares are not registered in your own name, they will be held in the name of a "nominee", usually a bank, trust company, securities dealer or other financial institution and, as such, your nominee will be the entity legally entitled to vote your Monarch Shares and must seek your instructions as to how to vote your Monarch Shares.

Voting Options

The Notice of Meeting and this Circular are being sent to both Registered Holders and Non-Registered Holders. If you are a Registered Holder or Non-Objecting Beneficial Owner ("**NOBO**") of Monarch Shares and we have sent these materials to you directly, your name and address and information about your holdings of Monarch Shares have been obtained in accordance with applicable securities regulatory requirements from the nominee holding the securities on your behalf. By choosing to send these materials to you directly, Monarch (and not your nominee) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instruction form (the "**VIF**").

Unless you have previously informed your nominee that you do not wish to receive material relating to shareholders' meetings, you will have received this Circular from your nominee, together with a form of proxy or a VIF. If that is the case, it is most important that you comply strictly with the instructions that have been given to you by your nominee on the VIF. If you have voted and wish to change your voting instructions, you should contact your nominee to discuss the procedures to be followed.

As a Non-Registered Holder that is a NOBO or an Objecting Beneficial Owner (“**OBO**”) you can vote in the following ways:

Phone	In English: 1-800-474-7493 / In French: 1-800-474-7501 / U.S.: As it appears on the voting instruction form and enter your 16-digit control number located on the enclosed voting instruction form. Follow the interactive voice recording instructions to submit your vote.
Internet	Go to www.proxyvote.com . Enter the 16-digit control number printed on the VIF and follow the instructions on screen.

Appointment Proxies

If your Monarch Shares are not registered in your own name, Monarch’s transfer agent may not have a record of your name and, as a result, unless your nominee has appointed you as a proxyholder, will have no knowledge of your entitlement to vote. If you wish to vote virtually at the Meeting, please insert your own name in the space provided on the form of proxy or VIF that you have received from your nominee. If you do this, you will be instructing your nominee to appoint you as proxyholder. Please adhere strictly to the signature and return instructions provided by your nominee. It is not necessary to complete the form in any other respect, since you will be voting at the Meeting virtually.

A Non-Registered Holder can also write the name in the space provided in the VIF of someone else whom he or she wishes to attend the Meeting and vote on his or her behalf. Unless prohibited by law, the person whose name is written in the space provided in the VIF will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in the VIF or the Circular.

A Non-Registered Holder who wishes to appoint themselves or a third party proxyholder to attend and participate at the Meeting and vote their shares **MUST** submit their form of proxy or voting instruction form, as applicable, appointing that person or themselves as proxyholder **AND** register that proxyholder online, as described below. Registering your proxyholder is an additional step to be completed **AFTER** you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a four character control number that is required to vote at the Meeting and only being able to attend as a guest.

Step 1: Submit your form of proxy or voting instruction form: To appoint a third party proxyholder, insert that person’s name in the blank space provided in the form of proxy or voting instruction form (if permitted) and follow the instructions for submitting such form of proxy or voting instruction form. This must be completed before registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy or voting instruction form.

Step 2: Register your proxyholder: To register a third party proxyholder, Monarch Securityholders must visit <http://www.computershare.com/MonarchGold> by no later than 9:30 a.m. (Eastern time) on December 28, 2020 and provide Computershare with the required proxyholder contact information so that Computershare may provide the proxyholder with a four-character control number via email. Without a control number, proxyholders will not be able to vote at the Meeting but will be able to participate as a guest.

See “*Registered Holders or Monarch Optionholders – Instructing your Proxy and Exercise of Discretion by your Proxy*” above for additional information.

Revoking your Voting Instructions

If you are a Non-Registered Holder, you may revoke voting instructions that you have given to your nominee at any time by written notice to the nominee. However, your nominee may be unable to take any action on the revocation if you do not provide your revocation sufficiently in advance of the Meeting. Each intermediary and broker has its own rules concerning the mailing and forwarding of voting instruction forms, meeting notices, proxy circulars as well as all other documents sent to shareholders for a meeting. These rules must be clearly followed by the beneficial owners to ensure their Monarch Shares can be represented at the Meeting.

Non-Registered Holders in the United States

As a Monarch Shareholder that is a US NOBO or a US OBO, you can vote your shares in the following ways:

Phone	As it appears on the voting instruction form.
Internet	Go to www.proxyvote.com . Enter the 16-digit control number printed on the voting instruction form and follow the instructions on screen.

Approval Thresholds

At the Meeting, Monarch Securityholders will be asked, among other things, to consider and to vote to approve the Arrangement Resolution approving the Arrangement. To be effective, the Arrangement Resolution must be approved by a resolution passed by (i) at least 66 $\frac{2}{3}$ % of the votes cast by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) a simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any “interested party”, any “related party” of an “interested party” or any “joint actor” of the foregoing (as such terms are defined under MI 61-101), which also satisfies the TSX requirement that the Arrangement be approved by the Monarch Shareholders without taking into account the votes of Monarch Optionholders.

At the Meeting, Monarch Shareholders will be asked, among other things, to consider and to vote to approve the Shareholder Matters. To be effective, each Shareholder Matter must be approved by a resolution passed by at least 50% of the votes cast by the Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting.

Quorum

In accordance with Monarch’s general by-laws and subject to the provisions of the CBCA and any regulation or order adopted thereunder, quorum for a shareholder meeting, including the Meeting, is one or more persons holding or representing 10% of the voting rights attached to the issued and outstanding Monarch Shares entitled to vote at such meeting.

Voting Securities and Principal Holders

The authorized capital of Monarch is made up of an unlimited number of Monarch Shares. Each Monarch Shareholder is entitled to one vote for each Monarch Share registered in his or her name as at the Record Date and each Monarch Optionholder is entitled to one vote for each Monarch Share issuable on exercise of each Monarch Option held by such holder as at the Record Date. Monarch Shareholders will vote on the Shareholder Matters and Monarch Shareholders and Monarch Optionholders will vote together as a single class on the Arrangement Resolution. As at the close of business on November 30, 2020, 321,200,833 Monarch Shares were issued and outstanding. In addition, up to 12,175,000 Monarch Shares are issuable upon the exercise of Monarch Options.

To the knowledge of the directors and executive officers of Monarch, as of the Record Date, other than as described below, there are no persons or corporations that beneficially own, directly or indirectly, or exercise control or direction over securities carrying in excess of 10% of the voting rights attached to any class of outstanding voting securities of Monarch.

To the knowledge of the directors and executive officers of Monarch, as of the Record Date, Alamos and its affiliates and associates held 44,848,203 Monarch Shares representing approximately 13.96% of the outstanding Monarch Shares on a non-diluted basis.

Yamana has advised that, as of the Record Date, Yamana held 22,250,000 Monarch Shares and 11,125,000 Monarch Warrants, representing approximately 6.93% of the issued and outstanding Monarch Shares on a non-diluted basis and 9.9% on a partially diluted basis.

THE ARRANGEMENT

Details of the Arrangement

On November 1, 2020, Monarch and Yamana entered into the Arrangement Agreement pursuant to which, among other things, Yamana agreed to acquire all of the issued and outstanding Monarch Shares, conditional upon and following the completion of the Spin-Out. The Arrangement will be effected pursuant to a court-approved arrangement under the CBCA. Subject to receipt of the Monarch Securityholder Approval, the Final Order and the satisfaction or waiver of certain other conditions, Yamana will acquire all of the issued and outstanding Monarch Shares on the Effective Date. The Parties intend to rely upon the Section 3(a)(10) Exemption with respect to the issuance of the Monarch Option Shares, Consideration Shares and the SpinCo Consideration Shares pursuant to the Arrangement.

If completed, the Arrangement will result in SpinCo acquiring all of the SpinCo Assets and SpinCo Liabilities immediately prior to the Effective Time, Yamana acquiring all of the issued and outstanding Monarch Shares on the Effective Date and Monarch becoming a wholly-owned subsidiary of Yamana. Pursuant to the Plan of Arrangement, at the Effective Time, Monarch Shareholders will receive \$0.192 in cash, 0.0376 of a Yamana Share and 0.20 of a SpinCo Share for each Monarch Share held at the Effective Time. On completion of the Arrangement, Monarch Shareholders are expected to own approximately 1.3% of the issued and outstanding Yamana Shares and 100% of the issued and outstanding SpinCo Shares. For further information regarding Yamana following completion of the Arrangement, see Appendix J “*Information Concerning Yamana Following the Arrangement*” and for further information regarding SpinCo following completion of the Arrangement see Appendix F “*Information Concerning SpinCo*”.

Background to the Arrangement

The Arrangement Agreement is the result of arm’s length negotiations among representatives of Monarch and Yamana and their respective legal and financial advisors, as more fully described herein. The following is a summary of the principal events leading up to the execution of the Arrangement Agreement and the subsequent public announcement of the Arrangement.

On October 2, 2017, Monarch completed the acquisition of all the assets of Richmond Mines Inc. in the province of Québec, including the Wasamac Property and the Camflo Property. Concurrently, with completion of the acquisition, Monarch raised a total of approximately \$6.5 million through a private placement and closed a senior secured gold loan agreement with Auramet International LLC which provided Monarch with access to a US\$4 million credit facility, in relation to the Beaufor Mine. Following completion of these transactions, Monarch immediately laid out a plan to generate value for its newly acquired Wasamac Property.

In October 2017, mining consultants, Rosco Postle Associates Inc. (RPA), prepared an updated mineral resource estimate for the Wasamac Property. This new mineral resource estimate considered new elements, including additional drilling, the exclusion of mineralization previously considered as resources, the addition of new resources, a lower cut-off grade, and the upgrading of inferred mineral resources to indicated mineral resources. This new resource estimate was a positive development for Monarch and the Wasamac Property as the bulk of the previous inferred mineral resources were upgraded to indicated mineral resources based on drilling results.

In April 2018, Monarch announced that it had retained engineering consultants, BBA Inc. (“BBA”), to conduct a conceptual study for the transport and custom milling of gold-bearing material from the Wasamac Property to an existing processing plant in the region, with an authorized tailings management facility. In May 2018, following positive and encouraging results from that study, Monarch engaged BBA to conduct a feasibility study with a base case scenario, including a mill and tailing facilities on the site of the Wasamac Property. The scenario would allow Monarch to better assess the off-site custom milling opportunities. The Wasamac Technical Report, which includes estimated capital expenditures for the project of approximately \$464 million, including \$232 million for the milling and tailing facilities, shows that the Wasamac Property is economically positive, based on the assumptions set forth in the Wasamac Technical Report.

Following the release of the Wasamac Technical Report, Monarch determined to look for a strategic partner to participate in the development of the Wasamac Property given the capital expenditures required to complete the construction of the project. Between 2018 and January 2019, Monarch entered into a dozen non-disclosure agreements

with various producing mining companies, most of whom had active projects in the Abitibi region in the Province of Québec. The intention of Monarch's management was to share its view of the value of the Wasamac Property and identify one or more mining companies interested in engaging in discussions with Monarch regarding the development of the Wasamac Property. The responses received by management of Monarch were generally similar – the other mining companies considered that the economics of the project were not strong enough at the then current gold prices considering the grade of the mineralization, the length of the permitting process and the timeline required to complete the necessary construction.

Beginning in March 2019, Monarch changed its approach and management of Monarch met with several investment firms, private equity groups and major to mid-tier gold producers, sharing with them its long-term strategy for the Wasamac Property, which included raising an additional \$20 million over the next year to advance the Wasamac Property through the permitting process. One of such meetings was an introductory meeting with representatives of Yamana, during which representatives of Monarch provided a corporate overview and review of Monarch's mineral projects.

In September 2019, with a view to increasing the profile of the Wasamac Property, management of Monarch participated in the 2019 Precious Metals Summit held in Beaver Creek, Colorado, USA, a three-day annual event in the mining industry, where Mr. Jean-Marc Lacoste, President and Chief Executive Officer, and Mr. Mathieu Séguin, Vice President, Corporate Development of Monarch, met with more than 20 potential partners involved in the mining sector in various capacities, including major gold producers. The discussions regarding the Wasamac Property included the potential financing of mining operations and an equity investment by a strategic partner to advance the permitting of the project. Management of Monarch also met with a number of companies that owned mills and could benefit from the opportunity of custom milling the ore from the Wasamac Property, which ore would be transported by the railway located close to the project. Using an off-site mill to process the ore from the Wasamac Property had the advantage of reducing the capital expenditures needed to develop the project and make it more attractive to potential strategic partners.

Between September 2019 and November 2019, a number of counterparties contacted Monarch regarding potential financing transactions and completed preliminary due diligence. While Monarch received a number of non-binding offers, the counterparties did not proceed to definitive offers.

Between December 2019 and February 2020, the marketing efforts by management of Monarch resulted in meetings with several potential investors from Europe and North America. Monarch entered into non-disclosure agreements with and gave data room access to numerous counterparties. Also during this period, Monarch conducted site visits at the Wasamac Property for representatives of two interested parties. Many potential transactions were discussed but no offers were submitted to Monarch. During this time, representatives of Monarch contacted representatives of Yamana to provide an update on Monarch's mineral projects.

In line with its strategy to reduce the capital expenditures for the development of the Wasamac Property by using an off-site mill to process the ore, on May 13, 2020, Monarch entered into a memorandum of understanding (the “**MOU**”) with Glencore Canada Corporation (“**Glencore**”) regarding the potential use of Glencore's Kidd metallurgical facility in Timmins, Ontario for the treatment of the ore from the Wasamac Property.

In mid to late May 2020, Yamana became aware of a block of Monarch Shares available for purchase from an existing investor but it was not ultimately acquired. Subsequent to that, representatives of Yamana contacted representatives of Monarch to receive a corporate update on Monarch and gauge Monarch's interest in participating in a potential private placement pursuant to which Yamana would act as lead investor.

On June 11, 2020, Yamana invested approximately \$4.2 million in a private placement of units of Monarch, comprised of Monarch Shares and warrants to purchase Monarch Shares. In connection with this financing, Yamana obtained the right to appoint a nominee to the Monarch Board and on June 15, 2020, Mr. Yohann Bouchard, was appointed as a director of Monarch.

On June 21, 2020, Monarch retained Ausenco Engineering Canada Inc. (“**Ausenco**”) to conduct an upgrading study of Glencore's Kidd facility in Timmins, Ontario, in connection with the off-site custom milling opportunity for the Wasamac Property pursuant to the MOU. Ausenco's mandate was twofold: (a) Phase I was to focus on developing a

high-level cost and financial analysis for two options, whole ore leach and flotation leach; and (b) Phase II was to develop the preferred option at a pre-feasibility study level.

On July 2, 2020, Monarch entered into the Confidentiality Agreement with Yamana. In mid-July 2020, Monarch granted Yamana access to a virtual data room containing technical information regarding Monarch's mineral properties and representatives of Yamana began conducting preliminary desktop due diligence on Monarch's portfolio of assets. During this period of diligence, due to the travel restrictions imposed by the COVID-19 pandemic, management of Monarch was actively continuing to market its assets by virtual conferences and webinar presentations rather than in person meetings. On July 8 and July 9, 2020, August 13, 2020 and from September 8 to September 10, 2020, various consultants and employees of Yamana visited the mining properties of Monarch, including the Wasamac Property. Stringent health protocols were observed during these site visits.

On August 25, 2020, following a favourable uptick in the market for gold exploration companies, Monarch announced a \$10 million bought deal flow-through private placement, which was later upsized to \$13 million. Yamana participated in the financing and invested approximately \$1.9 million. Following the closing of the offering on September 17, 2020, Yamana held approximately 7% of the issued and outstanding Monarch Shares on a non-diluted basis.

Following completion of the site visits, representatives of Yamana began an in-depth review of technical information. On October 24, 2020, Monarch granted Yamana access to additional data room information including legal and financial information regarding Monarch.

On October 25, 2020, representatives of Yamana engaged in a preliminary discussion with representatives of Monarch regarding a potential acquisition transaction, including, without limitation, the structure of a potential transaction and indicative deal terms.

Following the initial discussion with representatives of Yamana, Mr. Lacoste held internal discussions with members of Monarch's management team, the chairman of the Monarch Board and Monarch's legal counsel, Stein Monast LLP, to analyze the economics and other benefits of a potential transaction for Monarch and Monarch Shareholders.

Between October 25, 2020 and October 27, 2020, Mr. Lacoste had several discussions with Mr. Gerardo Fernandez, Senior Vice President, Corporate Development of Yamana, regarding the proposed terms of a potential acquisition transaction.

On October 27, 2020, Monarch received a formal non-binding proposal from Yamana (the "**Proposal**") contemplating the acquisition by Yamana of 100% of the issued and outstanding Monarch Shares for consideration per Monarch Share comprised of (i) \$0.192 in cash; (ii) \$0.288 in Yamana Shares; and (iii) \$0.15 in SpinCo Shares, for total consideration value of \$0.63 per Monarch Share. The Proposal was subject to a number of conditions, including, but not limited to, satisfactory completion of Yamana's due diligence and the formal approval of the transaction by the Yamana Board. The Proposal also included a request for Monarch to negotiate exclusively with Yamana until November 27, 2020. A draft of the Arrangement Agreement along with and the Support Agreement to be entered into by the officers and directors of Monarch were delivered to Monarch concurrently with the Proposal.

The Monarch Board met on October 27, 2020 with members of Monarch's management team and a representative of Stein Monast LLP, Monarch's legal counsel, to, among other things, consider and discuss the merits of the Proposal. Mr. Yohann Bouchard declared his conflict of interest with respect to a potential transaction with Yamana and recused himself from all meetings of the Monarch Board in connection therewith. The Monarch Board received copies of the Proposal, the draft Arrangement Agreement and the draft Support Agreement. The Monarch Board also discussed, among other things, the steps and efforts taken by Monarch since October 2017 to secure the requisite funding in order to develop the Wasamac Property, the financial capacity of Yamana to develop the Wasamac Property, the current and anticipated future opportunities available to Monarch to develop the Wasamac Property as a standalone entity, the challenges involved in raising additional funds and its dilutive impact to Monarch Shareholders, the benefits of the equity components of the Consideration which allow Monarch Shareholders to maintain their participation in the assets of Monarch through Yamana and SpinCo, the ability of the parties to complete the Arrangement, the ability of the Monarch Board to consider superior offers that may follow the announcement of the Arrangement and other relevant matters.

On October 28, 2020, the Monarch Board met again with members of Monarch's management to consider the Proposal. After further discussions and consideration of the Proposal and after having taken into consideration matters deemed relevant, the Monarch Board unanimously (with the exception of Mr. Yohann Bouchard who did not participate in the meetings or vote with respect to the Arrangement) resolved to approve the Proposal and recommend that Monarch Shareholders vote in favour of the Arrangement, subject to obtaining a favourable fairness opinion from an independent financial advisor.

On October 28, 2020, the Monarch Board retained the Financial Advisor, an arm's length party, to act as financial advisor to the Monarch Board in connection with the Arrangement and to provide the Monarch Board with an opinion as to the fairness, from a financial point of view, of the Consideration to the Monarch Shareholders other than Yamana.

Between October 28 and November 1, 2020, representatives of Monarch and Yamana, together with their respective financial, tax and legal advisors, finalized the proposed terms of the Arrangement Agreement and advanced the ancillary documents with a view to completing the negotiations and, if desirable, seek final approvals of the Monarch Board and the Yamana Board.

On November 1, 2020, the Monarch Board met with members of Monarch's management and the Financial Advisor to receive an update on the terms of the Arrangement Agreement and the Fairness Opinion. The Financial Advisor delivered a fulsome presentation including the benefits of the Arrangement to Monarch Shareholders, their assessment of the risks related to the Arrangement, their approach to evaluating the fairness of the Proposal and provided comparisons between the Arrangement and similar transactions that took place during the previous 24 months. The Monarch Board received the oral opinion of the Financial Advisor, which was subsequently confirmed in writing, to the effect that, as of that date and based on and subject to the various assumptions, limitations and qualifications described therein, the Consideration to be received by Monarch Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Monarch Shareholders other than Yamana. Representatives of Stein Monast LLP reviewed the terms and conditions contained in the draft Arrangement Agreement and the status of certain outstanding legal issues. Following extensive discussion and careful consideration, including consultation with its advisors, a detailed review of the terms of the latest version of the Arrangement Agreement, the Fairness Opinion, and other relevant matters, the Monarch Board unanimously (with the exception of Mr. Yohann Bouchard who did not participate in the meetings or vote with respect to the Arrangement) approved the Arrangement and determined that the Arrangement is fair to Monarch Shareholders and that the Arrangement and the entering into the Arrangement Agreement are in the best interest of Monarch.

Throughout the remainder of November 1, 2020, Monarch and Yamana, assisted by their respective legal advisors, finalized the terms of the Arrangement Agreement and the other transaction documents. Monarch and Yamana executed the Arrangement Agreement late in the night on November 1, 2020 and the Arrangement was announced prior to markets opening on November 2, 2020.

Recommendation of the Monarch Board

The Monarch Board, after consultation with representatives of Monarch's management team, its financial and legal advisors and having taken into account the Fairness Opinion, and such other matters as it considered necessary and relevant, including the factors and reasons set out below under the heading "*The Arrangement – Reasons for the Recommendation of the Monarch Board*", unanimously (with the exception of Mr. Bouchard who did not participate in the meetings or vote with respect to the Arrangement) determined that the Arrangement is fair to the Monarch Shareholders, the Arrangement and the entering into of the Arrangement Agreement are in the best interests of Monarch and authorized Monarch to enter into the Arrangement Agreement. **Accordingly, the Monarch Board (with the exception of Mr. Yohann Bouchard) unanimously recommends that Monarch Securityholders vote FOR the Arrangement Resolution.**

Reasons for the Recommendation of the Monarch Board

In reaching its conclusions and formulating its recommendation, the Monarch Board consulted with representatives of Monarch's management team and its legal and financial advisors. The Monarch Board also reviewed a significant amount of technical, financial and operational information relating to Monarch and Yamana and considered a number of factors and reasons, including those listed below. The following is a summary of the principal reasons for the unanimous (with the exception of Mr. Yohann Bouchard) determination of the Monarch Board that the Arrangement

is fair to the Monarch Shareholders and is in the best interests of Monarch and the recommendation of the Monarch Board that Monarch Securityholders vote **FOR** the Arrangement Resolution.

- **Significant Premium to Monarch Shareholders.** Yamana has offered Monarch Shareholders a significant premium to the Monarch Share price. The Consideration to be received by the Monarch Shareholders, based on the closing price of the Yamana Shares on the TSX on October 30, 2020 (being the last trading day prior to the announcement of the Arrangement), represents a premium of approximately 43% based on the closing price of the Monarch Shares on the TSX on October 30, 2020 and a premium of 43% to the volume weighted average price of the Monarch Shares on the TSX for the 20-day period ending on October 30, 2020.
- **Continued Exposure to the Acquisition Properties.** Monarch Shareholders, through their ownership of Yamana Shares, will participate in the value associated with the exploration, development and operation of the Acquisition Properties, supported by Yamana's technical, operational and financial capability.
- **Benefits of Owning Yamana Shares.** The Yamana Shares to be received by Monarch Shareholders in the Arrangement offer Monarch Shareholders an opportunity to own shares in a high-quality, low-cost gold producer, as well as exposure to Yamana's portfolio of well diversified assets in safe jurisdictions throughout the Americas.
- **Continued Exposure to Other Monarch Assets.** Monarch Shareholders, through their ownership of SpinCo Shares, will have continued exposure to the other Monarch assets being transferred to SpinCo.
- **Access to Capital and Enhanced Capital Markets Exposure.** Yamana has a strong balance sheet with sufficient cash and liquidity to advance its assets. The management team and board of directors of Yamana have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support for Yamana and the Wasamac Property.
- **Alternatives to the Arrangement.** Prior to entering into the Arrangement Agreement, Monarch regularly evaluated business and strategic opportunities with the objective of maximizing shareholder value in a manner consistent with the best interests of Monarch. As part of that process, Monarch entered into a number of confidentiality agreements with various mining companies over the past several years in order to allow for preliminary discussions to occur regarding potential transactions to maximize value for Monarch Shareholders. The Monarch Board assessed the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of Monarch should it continue as a standalone entity, including the challenges faced by Monarch in sourcing the capital required for its business and development objectives on reasonable commercial terms, the lack of potential sources of such capital and the costs and expected significant dilution to Monarch Shareholders that would likely result from obtaining such capital. The Monarch Board, with the assistance of its legal and financial advisors, assessed the alternatives reasonably available to Monarch and determined that the Arrangement represents the best current prospect for maximizing value for Monarch Shareholders.
- **Significant Shareholder Support.** Each of the directors and senior officers of Monarch and certain significant shareholders of Monarch, including Alamos Gold Inc., Typhoon Exploration Inc. and EBC Inc., have entered into Support Agreements with Yamana, in each case pursuant to which they have, subject to the terms and conditions of such agreements, agreed, among other things, to vote all of their Monarch Shares in favour of the Arrangement Resolution. In the aggregate, the parties to these agreements collectively own or control approximately 20.3% of the issued and outstanding Monarch Shares as of the Record Date.
- **Fairness Opinion.** The Financial Advisor provided its opinion to the Monarch Board to the effect that, as of November 1, 2020, and subject to the assumptions, limitations and qualifications set out in the Fairness Opinion, the Consideration to be received by Monarch Shareholders under the Arrangement is fair, from a financial point of view, to Monarch Shareholders other than Yamana.
- **Likelihood of the Arrangement Being Completed.** The likelihood of the Arrangement being completed is considered by the Monarch Board to be high, in light of the experience, reputation and financial capability of Yamana and the absence of significant closing conditions outside the control of Monarch, other than the

Monarch Securityholder Approval, the approval by the Court of the Arrangement, the exercise of Dissent Rights by Registered Holders of no more than 10% of the Monarch Shares and certain other customary closing conditions.

In making its determinations and recommendations, the Monarch Board also observed that a number of procedural safeguards were in place and present to permit the Monarch Board to protect the interests of Monarch, Monarch Shareholders and other Monarch stakeholders. These procedural safeguards include, among others:

- **Arm's Length Negotiations.** The Arrangement Agreement is the result of comprehensive arm's length negotiations. The Monarch Board took an active role in negotiating the material terms of the Arrangement Agreement and the Arrangement Agreement includes terms and conditions that are reasonable in the judgment of the Monarch Board.
- **Conduct of Monarch's Business.** The Monarch Board believes that the restrictions imposed on Monarch's business and operations during the pendency of the Arrangement are reasonable and not unduly burdensome.
- **Ability to Respond to Superior Proposals.** Notwithstanding the limitations contained in the Arrangement Agreement on Monarch's ability to solicit interest from third parties, the Arrangement Agreement allows Monarch to engage in discussions or negotiations regarding any unsolicited competing proposal for Monarch received prior to the Meeting that constitutes, or would reasonably be expected to constitute, a Superior Proposal.
- **Reasonable Break Fee.** The amount of the Termination Fee, being \$8 million, payable to Yamana under certain circumstances, is within the range of termination fees that are considered reasonable for a transaction of the nature and size of the Arrangement and should not preclude a third party from making a Superior Proposal.
- **Securityholder Approval.** The Arrangement Resolution must be approved by the affirmative vote of at least two-thirds of the votes cast by Monarch Securityholders present in person or represented by proxy and entitled to vote at the Meeting, voting together as a single class.
- **Dissent Rights.** The terms of the Plan of Arrangement provide that any Registered Holders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive the fair value of the Dissent Shares in accordance with the Arrangement.

The Monarch Board also considered a variety of risks relating to the Arrangement including those matters described under the heading "*Risk Factors*". The Monarch Board believes that, overall, the anticipated benefits of the Arrangement to Monarch outweigh these risks.

The foregoing summary of the information and factors considered by the Monarch Board in reaching its determination and recommendation is not intended to be exhaustive but includes the material information and factors considered by the Monarch Board in its consideration of the Arrangement. In view of the wide variety of factors and the amount of information considered in connection with the Monarch Board's evaluation of the Arrangement and the complexity of these matters, the Monarch Board did not find it practicable to, and did not quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusion and recommendation. The recommendation of the Monarch Board was made after consideration of all of the above-noted and other factors and in light of the Monarch Board's knowledge of the business, financial condition and prospects of Monarch and Yamana and were based upon the advice of Monarch's financial advisors and legal counsel. In addition, individual members of the Monarch Board may have assigned different weights to different factors.

Fairness Opinion

Pursuant to an engagement letter dated as of October 28, 2020, the Financial Advisor was retained by the Monarch Board to, among other things, deliver an opinion as to the fairness of the Consideration to be received under the Arrangement, from a financial point of view, to the Monarch Shareholders other than Yamana. On November 1, 2020, the Financial Advisor delivered to the Monarch Board its oral opinion, later confirmed in writing, that, on the basis of the particular assumptions and limitations set forth therein, as of such date, the Consideration to be received by the

Monarch Shareholders under the Arrangement is fair, from a financial point of view, to the Monarch Shareholders other than Yamana.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, matters considered, procedures followed and limitations and qualifications in connection with the Fairness Opinion, is set forth in Appendix C to this Circular. **This summary of the Fairness Opinion is qualified in its entirety by the full text of the opinion and Monarch Shareholders are urged to read the Fairness Opinion in its entirety.**

The Financial Advisor will be paid by Monarch a fee for its services which is not contingent on the successful outcome of the Arrangement and will be reimbursed of all reasonable legal and out-of-pocket expenses. In addition, the Financial Advisor and its affiliates and their respective directors, officers, employees, agents and controlling persons are to be indemnified by Monarch under certain circumstances from and against certain liabilities arising out of the performance of professional services rendered to Monarch.

The Fairness Opinion has been provided solely for the use of the Monarch Board for the purposes of considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without the prior written consent of the Financial Advisor. The Fairness Opinion is not to be construed as a valuation of Monarch or Yamana, or any of their respective assets, securities or liabilities (whether on a standalone basis or as a combined entity).

The Fairness Opinion does not constitute a recommendation as to whether or not Monarch Securityholders should vote in favour of the Arrangement Resolution or any other matter. The Fairness Opinion is one of a number of factors taken into account by the Monarch Board in approving the terms of the Arrangement Agreement and the Plan of Arrangement, determining that the Arrangement is in the best interests of Monarch and unanimously recommending that Monarch Securityholders vote **FOR** the Arrangement Resolution.

Principal Steps of the Arrangement

The following description of the Plan of Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, which is attached as Appendix B to this Circular and which has been filed by Monarch (as Schedule A to the Arrangement Agreement) under its profile on SEDAR at www.sedar.com.

If the Arrangement Resolution is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to completion of the Arrangement are satisfied or waived, the Arrangement will take effect commencing and effective as at the Effective Time (which will be at 12:01 a.m. (Eastern time)) on the Effective Date, which is expected to occur as soon as practicable following receipt of the Final Order.

The following preliminary steps will occur prior to, and will be conditions precedent to, the implementation of the Plan of Arrangement:

- (a) Monarch will have incorporated SpinCo pursuant to the CBCA;
- (b) Monarch will have subscribed for the Initial SpinCo Share for \$1.00 and SpinCo will have issued the Initial SpinCo Share to Monarch, and Monarch and SpinCo will file an election under section 85 of the Tax Act as specified in the Arrangement Agreement;
- (c) Michel Bouchard, Guylaine Daigle, Laurie Gaborit, Jean-Marc Lacoste and Christian Pichette, having consented to act as directors of SpinCo in accordance with the CBCA, will be appointed directors of SpinCo, to hold office until the next annual meeting of the shareholders of SpinCo or until their successors are elected or appointed;
- (d) Monarch, SpinCo and Yamana will have entered into the SpinCo Conveyance Agreement; and
- (e) SpinCo will not have any issued and outstanding shares other than the Initial SpinCo Share, and SpinCo will not have carried on any business prior to the Effective Date.

Commencing at the Effective Time, each of the following principal steps will occur and will be deemed to occur without any further act or formality, in the order and timing set out below:

- (a) each Dissent Share will be, and will be deemed to be, surrendered to Monarch by the holder thereof, without any further act or formality by or on behalf of the Dissenting Monarch Shareholder, free and clear of all Encumbrances, and each such Monarch Share so surrendered will be cancelled and thereupon each Dissenting Monarch Shareholder will cease to have any rights as a holder of such Dissent Shares other than a claim against Monarch in an amount determined and payable in accordance with the Plan of Arrangement and the name of such Dissenting Monarch Shareholder will be removed from the securities register of Monarch Shareholders;
- (b) concurrently with the surrender and cancellation of Dissent Shares held by Dissenting Monarch Shareholders, the stated capital account maintained by Monarch in respect of the Monarch Shares will be reduced, in respect of the Dissent Shares cancelled pursuant to the Plan of Arrangement;
- (c) each Monarch Out-Of-The-Money Option will be cancelled without any payment in respect thereof and the holder thereof will cease to be the holder of such Monarch Option, will cease to have any rights as a holder in respect of such Monarch Option, will be removed from the register of Monarch Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders with respect thereto;
- (d) each Monarch In-The-Money Option will be surrendered and cancelled and the relevant Monarch Optionholder will receive a payment from Monarch, in the form of Monarch Option Shares, having a fair market value equal to the relevant In-the-Money Amount, net of applicable source deductions, and Monarch Option Shares issuable in connection therewith will be deemed to be issued to such Monarch Optionholder as fully paid and non-assessable Monarch Shares, provided that no share certificates will be issued with respect to such Monarch Option Shares, and the holder thereof will cease to be the holder of such Monarch Option, will cease to have any rights as a holder in respect of such Monarch Option, will be removed from the register of Monarch Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders with respect thereto;
- (e) the Monarch Option Plan will be terminated, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders thereunder;
- (f) Monarch will transfer all of its entire legal and beneficial right, title and interest in and to the SpinCo Assets to SpinCo in consideration for (i) the issuance by SpinCo to Monarch of that number of fully paid and non-assessable SpinCo Shares (the “**Distribution SpinCo Shares**”) equal to the product of 0.2 multiplied by the number of Monarch Shares issued and outstanding immediately prior to the transfer in accordance with the Plan of Arrangement, and (ii) the assumption by SpinCo of the SpinCo Liabilities, all in accordance with the terms of the SpinCo Conveyance Agreement;
- (g) each Monarch Share held by a Non-Resident Holder (excluding, for the avoidance of doubt, any Dissent Shares) will be deemed to be transferred and assigned, without any further act or formality on the part of the Non-Resident Holder, to Yamana (free and clear of any Encumbrances), in exchange for the Consideration (including the right to receive the SpinCo Shares forming part of the Consideration), and upon such transfer:
 - (i) each such Non-Resident Holder will be removed from the securities register of Monarch Shareholders;
 - (ii) each such Non-Resident Holder will be entered in the securities register of holders of Yamana Shares in respect of Yamana Shares issued to such holder; and
 - (iii) Yamana will be entered in the securities register of Monarch Shareholders as the legal and beneficial owner of the Monarch Shares, free and clear of any Encumbrances;

- (h) in the course of a reorganization of Monarch’s authorized and issued share capital:
 - (i) the articles of Monarch will be amended to add a class of shares designated as “Class A Shares”, which have the rights, privileges, restrictions and conditions set out in the Plan of Arrangement (the “**Monarch Class A Shares**”);
 - (ii) each issued and outstanding Monarch Share (including any Monarch Shares acquired by Yamana from a Non-Resident Holder in accordance with the Plan of Arrangement, but excluding, for the avoidance of doubt, any Dissent Shares) will be exchanged with Monarch (free and clear of any Encumbrances) for one Monarch Class A Share and 0.20 of a Distribution SpinCo Share, and upon such exchange:
 - (A) each such exchanged Monarch Share will be cancelled, and the holders of such exchanged Monarch Shares will be removed from the register of Monarch Shareholders;
 - (B) each holder of such exchanged Monarch Shares will be entered in the register of holders of Monarch Class A Shares in respect of Monarch Class A Shares issued to such holder; and
 - (C) each holder of such exchanged Monarch Shares will be entered in the register of holders of SpinCo Shares in respect of the Distribution SpinCo Shares transferred to such holder by Monarch;
 - (iii) concurrently with the exchange noted in paragraph (ii) above, the stated capital account maintained in respect of the Monarch Shares will be adjusted as set out in the Plan of Arrangement;
- (i) the Initial SpinCo Share held by Monarch will be cancelled without any payment therefor and Monarch will be removed from the register of holders of SpinCo Shares;
- (j) Yamana will deliver to each Non-Resident Holder whose Monarch Shares were transferred to Yamana pursuant to Section 3.2(g) of the Plan of Arrangement, such number of SpinCo Shares as are deliverable by Yamana to such Non-Resident Holder, and upon such delivery Yamana will be removed from the securities register of holders of SpinCo Shares and each such Non-Resident Holder will be entered in the securities register of holders of SpinCo Shares in respect of the SpinCo Shares delivered to such Non-Resident Holder;
- (k) each Monarch Class A Share (excluding any Monarch Class A Shares held by Yamana) issued pursuant to the Plan of Arrangement will be and will be deemed to be transferred and assigned by the holder thereof, without any further act or formality on its part, to Yamana (free and clear of any Encumbrances), in exchange for the Yamana Share Consideration and the Cash Consideration, and upon such exchange:
 - (i) each such holder (other than Yamana) of such exchanged Monarch Class A Shares will be removed from the securities register of holders of Monarch Class A Shares;
 - (ii) each such holder (other than Yamana) of such exchanged Monarch Class A Shares will be entered in the securities register of holders of Yamana Shares in respect of the Yamana Shares issued to such holder; and
 - (iii) Yamana will be entered in the securities register of holders of Monarch Class A Shares as the legal and beneficial owner of the Monarch Class A Shares transferred to it pursuant to the Plan of Arrangement, free and clear of any Encumbrances; and
- (l) each Monarch Certificated Warrant outstanding immediately prior to the Effective Time (other than Monarch Certificated Warrants owned by Yamana) will be exchanged by the holder thereof, without any further act or formality and free and clear of all Encumbrances, for:
 - (i) a Replacement Yamana Warrant; and
 - (ii) a Replacement SpinCo Warrant;

- (m) Monarch Certificated Warrants (other than Yamana Monarch Warrants) will be cancelled and the holder thereof will cease to be the holder of such Monarch Certificated Warrants, will cease to have any rights as a holder in respect of such Monarch Certificated Warrants, will be removed from the register of Monarch Warrants, and all warrant certificates, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Warrantholders with respect thereto;
- (n) the Yamana Monarch Warrants outstanding immediately prior to the Effective Time will be exchanged by Yamana, without any further act or formality and free and clear of all Encumbrances, for a Replacement SpinCo Warrant;
- (o) the Yamana Monarch Warrants will be cancelled and Yamana will cease to be the holder of such Monarch Certificated Warrants, will cease to have any rights as a holder in respect of such Monarch Certificated Warrants, will be removed from the register of Monarch Warrants, and all warrant certificates, grants and similar instruments relating thereto will be cancelled, and none of Monarch nor SpinCo will have any further liabilities or obligations to Yamana with respect thereto; and
- (p) Monarch will file an election with the CRA to cease to be a public corporation for the purposes of the Tax Act.

If completed, the Arrangement will result in the issuance, at the Effective Time, of (i) \$0.192 in cash, (ii) 0.0376 of a Yamana Shares and (iii) 0.20 of a SpinCo Share for each Monarch Share held by former Monarch Shareholders (excluding Dissenting Monarch Shareholders and, with respect to the Cash Consideration and Yamana Share Consideration, Yamana) at the Effective Time. Following completion of the Arrangement, former Monarch Shareholders (other than Dissenting Monarch Shareholders and Yamana) are anticipated to own approximately 1.3% of the issued and outstanding Yamana Shares and former Monarch Shareholders will own 100% of the issued and outstanding SpinCo Shares.

Treatment of Monarch Options

Subject to the terms and conditions of the Arrangement Agreement and pursuant to the Plan of Arrangement, at the Effective Time, each Monarch Out-Of-The-Money Option will be cancelled without any payment in respect thereof and the holder thereof will cease to be the holder of such Monarch Option, will cease to have any rights as a holder in respect of such Monarch Option, will be removed from the register of Monarch Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders with respect thereto.

At the Effective Time, each Monarch In-The-Money Option will be surrendered and cancelled and the relevant Monarch Optionholder will receive a payment from Monarch, in the form of Monarch Option Shares, having a fair market value equal to the relevant In-the-Money Amount, net of applicable source deductions, and Monarch Option Shares issuable in connection therewith will be deemed to be issued to such Monarch Optionholder as fully paid and non-assessable Monarch Shares, provided that no share certificates will be issued with respect to such Monarch Option Shares, and the holder thereof will cease to be the holder of such Monarch Option, will cease to have any rights as a holder in respect of such Monarch Option, will be removed from the register of Monarch Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders with respect thereto. The Monarch Option Plan will be then be terminated, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Optionholders thereunder.

Treatment of Monarch Warrants

Monarch Certificated Warrants

Subject to the terms and conditions of the Arrangement Agreement and pursuant to the Plan of Arrangement and in accordance with the terms of the Certificated Monarch Warrants, at the Effective Time each Monarch Certificated Warrant outstanding immediately prior to the Effective Time (other than Monarch Certificated Warrants owned by Yamana) will be exchanged by the holder thereof, without any further act or formality and free and clear of all Encumbrances, for (a) a Replacement Yamana Warrant and (b) a Replacement SpinCo Warrant. The Monarch

Certificated Warrants (other than Monarch Certificated Warrants owned by Yamana) will be cancelled and the holder thereof will cease to be the holder of such Monarch Certificated Warrants, will cease to have any rights as a holder in respect of such Monarch Certificated Warrants, will be removed from the register of Monarch Warrants, and all warrant certificates, grants and similar instruments relating thereto will be cancelled, and none of Monarch, SpinCo nor Yamana will have any further liabilities or obligations to the Former Monarch Warrantholders with respect thereto.

- (a) a warrant to purchase from Yamana 0.0376 of a Yamana Share (and when aggregated with the other similar Replacement Yamana Warrants of a holder of such Monarch Certificated Warrants resulting in a fraction of a Yamana Share, they shall be rounded down to the nearest whole number of Yamana Shares) (a “**Replacement Yamana Warrant**”). Each Replacement Yamana Warrant will provide for an exercise price per Replacement Yamana Warrant (rounded up to the nearest whole cent) equal to the exercise price per Yamana Share that would otherwise be payable to acquire a Monarch Share pursuant to the Monarch Certificated Warrant it replaces less \$0.192 and less the exercise price of the Replacement SpinCo Warrant. The term of expiry, conditions to and manner of exercise (provided any Replacement Yamana Warrant shall be exercisable at the offices of the Yamana or its transfer agent) and other terms and conditions of each Replacement Yamana Warrant will be as nearly equivalent as practicable as the terms and conditions of the certificates governing such Monarch Certificated Warrant for which it is exchanged; and
- (b) a warrant to purchase from SpinCo 0.20 of a SpinCo Share (and when aggregated with the other similar Replacement SpinCo Warrants of a holder of such Monarch Certificated Warrants resulting in a fraction of a SpinCo Share, they shall be rounded down to the nearest whole number of SpinCo Shares) (a “**Replacement SpinCo Warrant**”). The term of expiry, conditions to and manner of exercise (provided any Replacement SpinCo Warrant will be exercisable at the offices of SpinCo or its transfer agent) and other terms and conditions of each Replacement SpinCo Warrant will be as nearly equivalent as practicable as the terms and conditions of the certificates governing such Monarch Certificated Warrant for which it is exchanged. Each Replacement SpinCo Warrant will provide for an exercise price per SpinCo Share determined by the following formula (rounded up to the nearest whole cent):

$$\text{(original exercise price per Monarch Share} \times \text{(Fair Market Value of a SpinCo Share} \times \text{0.20))} / \text{(Fair Market Value of a Monarch Class A Share} + \text{(Fair Market Value of a SpinCo Share} \times \text{0.20))}$$

Monarch Indenture Warrants

In accordance with the terms of the Monarch Warrant Indenture, each holder of Monarch Indenture Warrants will be entitled to receive (and such holder shall accept) upon the exercise of such holder’s Monarch Indenture Warrants, in lieu of Monarch Shares to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the number of Yamana Shares, the value of the Cash Consideration and the number of SpinCo Consideration Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Date, such holder had been the registered holder of the number of Monarch Shares to which such holder would have been entitled if such holder had exercised its Monarch Indenture Warrants immediately prior to the Effective Time. Each Monarch Indenture Warrant will continue to be governed by and be subject to the terms of the Monarch Warrant Indenture, subject to any supplemental indenture, warrant certificate or exercise documents, as applicable, provided by the Yamana and SpinCo to holders of the Monarch Indenture Warrants to facilitate the exercise of the Monarch Indenture Warrants and the payment of the corresponding portion of the exercise price therefor.

Upon any valid exercise of a Monarch Indenture Warrant after the Effective Time, Yamana will issue the requisite number of Yamana Shares and SpinCo shall issue the requisite number of SpinCo Consideration Shares, necessary to settle such exercise, provided that Yamana or SpinCo, as applicable, has received the portion of the Monarch Indenture Warrant exercise price such that the Monarch Indenture Warrant exercise price is divided between Yamana and SpinCo as follows:

- (a) Yamana will receive a portion of the exercise price equal to the original exercise price of the Monarch Indenture Warrant less the Cash Consideration amount that would have been payable in exchange for that number of Yamana Shares that were previously issuable upon exercise and less the exercise price payable to SpinCo as determined in accordance with (b) below; and

(b) SpinCo shall receive a portion of the exercise price determined in accordance with the following formula:

$$\frac{(\text{original exercise price} \times (\text{Fair Market Value of a SpinCo Share} \times 0.20))}{(\text{Fair Market Value of a Monarch Share} + (\text{Fair Market Value of a SpinCo Share} \times 0.20))}$$

It is expected that Yamana and SpinCo will enter into supplemental indenture with Computershare Trust Company of Canada, the warrant agent for the Monarch Indenture Warrants, to facilitate the issuance of the cash, Yamana Shares and SpinCo Shares upon due exercise of the Monarch Indenture Warrants following the Effective Time.

Procedure for Exchange of Monarch Shares

Computershare Trust Company of Canada is acting as Depositary under the Arrangement. The Depositary will receive deposits of certificates or DRS Statements representing Monarch Shares and an accompanying Letter of Transmittal, at the offices specified in the Letter of Transmittal and will be responsible for delivering the Consideration to which Monarch Securityholders are entitled to under the Arrangement.

At the time of sending this Circular to each Monarch Securityholder, Monarch is also sending the Letter of Transmittal to each Registered Holder. The Letter of Transmittal is only for use by Registered Holders and is not to be used by Non-Registered Holders. In order to receive the applicable amount of Cash Consideration and number of Consideration Shares and SpinCo Consideration Shares that such Registered Holder is entitled to receive pursuant to the Arrangement, he or she must deposit the certificate(s) or DRS Statement, as applicable, representing his or her Monarch Shares with the Depositary along with a properly completed and duly executed Letter of Transmittal.

Monarch In-The-Money Options that are not exercised prior to the Effective Time will be surrendered and cancelled for payment by Monarch in the form of Monarch Option Shares at the Effective Time, in accordance with the Plan of Arrangement. Such holders of Monarch In-The-Money Options will not receive certificates of a DRS Statement representing such Monarch Option Shares and will not be required to deliver any such certificate(s) or DRS Statement or a Letter of Transmittal to the Depositary in order to receive the Consideration they are entitled to receive pursuant to the Arrangement.

The exchange of Monarch Shares for the Consideration in respect of Non-Registered Holders is expected to be made with the Non-Registered Holders' nominee (bank, trust company, securities broker or other nominee) account through the procedures in place for such purposes between CDS & Co. (or Cede & Co., in the case of some U.S. Holders) and such nominee. Non-Registered Holders should contact their nominee if they have any questions regarding this process and to arrange for their nominee to complete the necessary steps to ensure that they receive the Cash Consideration, Consideration Shares and SpinCo Consideration Shares in respect of their Monarch Shares.

Registered Holders are requested to tender to the Depositary any certificates or DRS Statements representing their Monarch Shares along with a duly completed Letter of Transmittal. As soon as practicable following the Effective Date, the Depositary will forward to each Registered Holder that submitted an effective Letter of Transmittal to the Depositary, together with the certificate(s) or DRS Statements representing the Monarch Shares held by such Monarch Shareholder immediately prior to the Effective Date, a cheque or wire transfer representing the Cash Consideration, a DRS Statement representing the Consideration Shares and a DRS Statement representing the SpinCo Consideration Shares to which the Registered Holder is entitled under the Arrangement, to be sent to or at the direction of such Monarch Shareholder. DRS Statements representing the Consideration Shares and SpinCo Consideration Shares, respectively, will be registered in, and the cheque, if applicable, representing the Cash Consideration will be made payable to, such name or names as directed in the Letter of Transmittal and will be either (i) sent to the address or addresses as such Monarch Shareholder directed in their Letter of Transmittal or (ii) made available for pick up at the offices of the Depositary in accordance with the instructions of the former Monarch Shareholder in the Letter of Transmittal. The Depositary will make payment of the Cash Consideration due to any depositing Registered Holder by wire as such holder may have elected in their Letter of Transmittal.

If you are a Registered Holder, you will receive the Cash Consideration in Canadian dollars unless you exercise the right to elect in your Letter of Transmittal to receive the Cash Consideration in respect of your Monarch Shares in U.S. dollars.

If you are a Non-Registered Holder, you will receive the Cash Consideration in Canadian dollars unless you contact the intermediary in whose name your Monarch Shares are registered and request that the intermediary make an election on your behalf. If your intermediary does not make an election on your behalf, you will receive payment in Canadian dollars.

The exchange rate that will be used to convert payments from Canadian dollars into U.S. dollars will be the rate established by the Depositary, in its capacity as foreign exchange service provider to Monarch, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Monarch Shareholder. The Depositary will act as principal in such currency conversion transactions.

A Registered Holder that does not submit an effective Letter of Transmittal prior to the Effective Date may take delivery of the cheque or wire transfer representing the Cash Consideration and the certificate(s) or DRS Statements representing the Consideration Shares and SpinCo Consideration Shares, respectively, to which such Monarch Shareholder is entitled pursuant to the Arrangement, by delivering the certificate(s) or DRS Statement representing Monarch Shares formerly held by it to the Depositary at the office indicated in the Letter of Transmittal at any time prior to the sixth anniversary of the Effective Date. Such certificate(s) or DRS Statement representing Monarch Shares must be accompanied by a duly completed Letter of Transmittal, together with such other documents as the Depositary may require. DRS Statements representing the Consideration Shares and SpinCo Consideration Shares, respectively, will be registered in, and any cheque or wire transfer representing the Cash Consideration will be made payable to, such name or names as directed in the Letter of Transmittal and will be either (i) sent to the address or addresses as such Registered Holder directed in its Letter of Transmittal or (ii) made available for pick up at the office of the Depositary in accordance with the instructions of the Registered Holder in the Letter of Transmittal, as soon as practicable after receipt by the Depositary of the required certificates and documents.

If any certificate, which immediately before the Effective Time represented one or more outstanding Monarch Shares in respect of which the holder was entitled to receive the Consideration pursuant to the Arrangement is lost, stolen or destroyed, the Registered Holder should complete the Letter of Transmittal as fully as possible and forward together with a letter describing the loss, theft or destruction to the Depositary. The Depositary will respond with the replacement requirements. Alternatively, Registered Holders who have lost, stolen, or destroyed a certificate that immediately prior to the Effective Time represented one or more Monarch Shares may participate in the Depositary's blanket bond program with Aviva Insurance Company of Canada by following the instructions in the Letter of Transmittal and submitting the applicable certified cheque or money order made payable to the Depositary.

A Registered Holder must deliver to the Depositary at one of the offices listed in the Letter of Transmittal:

- (a) the certificate(s) or DRS Statement representing their Monarch Shares;
- (b) a Letter of Transmittal in the form accompanying this Circular, or a manually executed photocopy thereof, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; and
- (c) any other relevant documents required by the instructions set out in the Letter of Transmittal.

Except as otherwise provided in the instructions to the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) or DRS Statement representing Monarch Shares deposited therewith, the certificate(s) or DRS Statement, as applicable, must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by an Eligible Institution.

The method of delivery of certificates or DRS Statements representing Monarch Shares and all other required documents is at the option and risk of the person depositing the same. Monarch recommends that such documents be delivered by hand to the Depositary and a receipt obtained or, if mailed, that registered mail with return receipt requested be used and that appropriate insurance be obtained.

Mail Services Interruption

Notwithstanding the provisions of the Arrangement, the Circular and the Letter of Transmittal, cheques representing the Cash Consideration and DRS Statements representing Consideration Shares and the SpinCo Consideration Shares, respectively, in payment for Monarch Shares deposited pursuant to the Arrangement and any certificate(s) or DRS Statements, as applicable, representing Monarch Shares to be returned will not be mailed if Yamana and SpinCo determine that delivery thereof by mail may be delayed.

Persons entitled to cheques, DRS Statements, certificates and other relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary at which the deposited certificate(s) or DRS Statements, as applicable, representing Monarch Shares in respect of which Consideration is being delivered were originally deposited upon application to the Depositary until such time as Yamana has determined that delivery by mail will no longer be delayed.

No Fractional Shares to be Issued

No fractional Yamana Shares or SpinCo Shares will be issued to Former Monarch Shareholders in connection with the Plan of Arrangement. The total number of Yamana Shares or SpinCo Shares to be issued to any Former Monarch Shareholder will, without additional compensation, be rounded down to the nearest whole Yamana Share or SpinCo Share, as applicable, in the event that a Former Monarch Shareholder would otherwise be entitled to a fractional share and no person will be entitled to any compensation in respect thereof.

No Fractional Cash Consideration

No fractional Cash Consideration will be paid to Former Monarch Shareholders in connection with the Plan of Arrangement. The aggregate amount of Cash Consideration owing to any Former Monarch Shareholder shall be rounded up to the next whole cent.

Treatment of Dividends

No dividend or other distribution declared or made after the Effective Time with respect to the Yamana Shares with a record date after the Effective Time will be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Monarch Shares unless and until the holder of such certificate has complied with the provisions the Plan of Arrangement. Subject to applicable Law and withholding rights as set out in the Plan of Arrangement, at the time of such compliance, there will, in addition to the delivery of the Yamana Shares and SpinCo Shares and the payment of the Cash Consideration to which such holder is entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Yamana Shares.

Withholding Rights

Yamana, Monarch and the Depositary, as applicable, shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any person under the Plan of Arrangement (including without limitation, any payments to Dissenting Monarch Shareholders), and from all dividends or other distributions otherwise payable to any Former Monarch Shareholder, such amounts as Yamana, Monarch or the Depositary, as applicable, is required to deduct and withhold with respect to such payment under the Tax Act, the U.S. Tax Code or any provision of any applicable federal, provincial, state, local or foreign tax Laws, in each case, as amended. To the extent the amount required to be deducted or withheld from any consideration payable or otherwise deliverable to any person under the Plan of Arrangement exceeds the amount of cash consideration, if any, otherwise payable to the person, either of Yamana or the Depositary is authorized to sell or otherwise dispose of any non-cash consideration payable to the person as is necessary to provide sufficient funds to Yamana or the Depositary, as the case may be, to enable it to comply with all deduction or withholding requirements applicable to it, and Yamana or the Depositary, as applicable, will notify such person and remit to such person any unapplied balance of the net proceeds of such sale. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant person in respect of which such deduction and withholding was made, provided that such withheld amounts are remitted to the appropriate Governmental Authority.

Cancellation of Rights after Six Years

Should any Former Monarch Shareholder fail to deliver any certificate(s) or DRS Statement representing their Monarch Shares, a duly completed Letter of Transmittal and such other documents or instruments required to be delivered under the Plan of Arrangement, to the Depositary on or before the sixth anniversary of the Effective Date, on the sixth anniversary of the Effective Date: (i) the Consideration which such Former Monarch Shareholder was entitled to receive will be automatically cancelled without any repayment of capital in respect thereof, or repaid to Yamana in the case of the Cash Consideration, and the Yamana Shares will be delivered to Yamana and the SpinCo Shares will be delivered to SpinCo by the Depositary for cancellation and will be cancelled by Yamana and SpinCo, respectively, and the interest of the Former Monarch Shareholder in such Consideration will be terminated as of such date; and (ii) any dividends or distributions which such Former Monarch Shareholders were entitled to receive under the Plan of Arrangement will be delivered by the Depositary to Yamana and such dividends or distributions shall be deemed to be owned by Yamana, and the interest of the Former Monarch Shareholder in such dividends or distributions shall be terminated as of such date.

None of Monarch, Yamana or SpinCo, or any of their respective successors, will be liable to any person in respect of any Consideration (including any consideration previously held by the Depositary in trust for any such former holder) which is forfeited to Yamana or SpinCo or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law. Accordingly, Former Monarch Shareholders who deposit with the Depositary certificates or a DRS Statement representing Monarch Shares after the sixth anniversary of the Effective Date will not receive any Consideration in exchange therefor and will not own any interest in Monarch, Yamana, or SpinCo, and will not be paid any compensation.

Timing for Completion of the Arrangement

Subject to the provisions of the Arrangement Agreement, the Arrangement will become effective at 12:01 a.m. (Eastern time) on the Effective Date, being the date upon which all of the conditions to completion of the Arrangement as set out in the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement, all documents agreed to be delivered thereunder have been delivered to the satisfaction of the recipient, acting reasonably, and the Certificate of Arrangement having been issued by the Director.

The Effective Date will occur following the satisfaction or waiver of all conditions to completion of the Arrangement as set out in the Arrangement Agreement (excluding any conditions that, by their terms, cannot be satisfied until the Effective Date). If the Meeting is held as scheduled and is not adjourned and/or postponed and the Monarch Securityholder Approval is obtained, it is expected that Monarch will apply for the Final Order approving the Arrangement on January 20, 2021. If the Final Order is obtained in a form and substance satisfactory to Monarch and Yamana, and the applicable conditions to completion of the Arrangement are satisfied or waived (excluding any conditions that, by their terms, cannot be satisfied until the Effective Date), Monarch expects the Effective Date to occur as soon as practicable following receipt of the Final Order; however, it is possible that completion may be delayed if the conditions to implementation of the Arrangement cannot be met on a timely basis. Subject to certain limitations, each Party may terminate the Arrangement Agreement if the Arrangement is not consummated by the Outside Date, which date can be unilaterally extended by a Party for up to an additional 90 days (in five to 15-day increments) in certain circumstances, or extended by mutual agreement of the Parties.

Although the Parties' objective is to have the Effective Date occur as soon as reasonably practicable after the Meeting, the Effective Date could be delayed for several reasons, including, but not limited to, any delay in obtaining any required Regulatory Approvals. Monarch or Yamana may determine not to complete the Arrangement, in accordance with the Arrangement Agreement, without prior notice to, or action on the part of, Monarch Securityholders.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Monarch Board with respect to the Arrangement, Monarch Securityholders should be aware that certain directors and officers of Monarch have certain interests in connection with the Arrangement that are, or may be, different from, or in addition to, the interests of the Monarch Securityholders.

These interests include those described below. The Monarch Board was aware of these interests and considered them, among other matters, when evaluating and negotiating the Arrangement Agreement and recommending approval of the Arrangement by the Monarch Securityholders, as applicable.

Additionally, Mr. Yohann Bouchard declared his interest in the Arrangement as an officer of Yamana to the Monarch Board at the start of discussions relating to a possible transaction between the Parties. Mr. Yohann Bouchard did not participate in any meetings of the Monarch Board in connection with the Arrangement and abstained from voting on any resolutions of the Monarch Board in connection with the Arrangement.

All benefits received, or to be received, by the directors and senior management of Monarch as a result of the Arrangement are, and will be, solely in connection with their services as directors and senior management of Monarch. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such Person for the Monarch Shares held by such Person and no benefit is, or will be, conditional on any Person supporting the Arrangement.

The table below sets forth the number and percentage of Monarch Shares and Monarch Options that the directors and officers of Monarch and any of their respective affiliates and associates beneficially own or exercise control or direction over, directly or indirectly, as of the date hereof.

Name and Position	Monarch Shares ⁽¹⁾⁽²⁾	Percentage of Monarch Shares ⁽³⁾	Monarch Options ⁽²⁾	Percentage of Monarch Options ⁽⁴⁾
Jean-Marc Lacoste ⁽⁵⁾ <i>President and Chief Executive Officer</i>	4,210,000	1.31%	2,100,000	17.25%
Marc-André Lavergne ⁽⁵⁾ <i>Vice President, Operations and Community</i>	31,000	0.01%	900,000	7.39%
Mathieu Séguin ⁽⁵⁾ <i>Vice President, Corporate Development</i>	2,700,000	0.84%	650,000	5.34%
Alain Lévesque ⁽⁵⁾ <i>Chief Financial Officer</i>	180,000	0.06%	975,000	8.01%
Lucie Desjardins <i>Corporate Secretary and Director of Legal Services</i>	20,000	0.01%	205,000	1.68%
Michel Bouchard <i>Chairman of the Board of Directors</i>	702,060	0.22%	1,575,000	12.94%
Yohann Bouchard <i>Director</i>	210,000	0.07%	250,000	2.05%
Laurie Gaborit <i>Director</i>	124,400	0.04%	500,000	4.11%
Christian Pichette <i>Director</i>	650,000	0.20%	1,075,000	8.83%
Guylaine Daigle <i>Director</i>	Nil	nil%	250,000	2.05%

Notes:

- (1) The number of Monarch Shares beneficially owned by each Monarch Shareholder excludes the Monarch Options held by each Monarch Shareholder, which have been separately listed in the column titled “Number of Monarch Options Beneficially Owned”.
- (2) The information as to the Monarch Shares and Monarch Options beneficially owned or over which control or direction is exercised, not being within the knowledge of Monarch, has been furnished by the respective directors and officers.
- (3) The percentage of Monarch Shares figures are based on 321,200,833 Monarch Shares outstanding on the Record Date.
- (4) The percentage of Monarch Options figures are based on 12,175,000 Monarch Options outstanding on the Record Date.
- (5) Considered to be senior executive officer of Monarch.

In order to comply with MI 61-101, a simple majority of disinterested Monarch Shareholders, present virtually or represented by proxy and entitled to vote at the Meeting, must cast votes in favour of the Arrangement Resolution. To the best knowledge of the Monarch Board, it is estimated that 6,910,000 Monarch Shares held by Jean-Marc Lacoste and Mathieu Séguin will be excluded from the simple majority vote required under MI 61-101. See “*Regulatory Matters and Approvals – Canadian Securities Law Matters – MI 61-101*” below.

Directors

The Monarch directors (other than directors who are also executive officers) own or control, in the aggregate, 1,686,460 Monarch Shares, representing approximately 0.53% of the Monarch Shares outstanding on the Record Date. The Monarch directors (other than directors who are also executive officers) own or control, in the aggregate, 3,650,000 Monarch Options, representing approximately 29.98% of the Monarch Options outstanding on the Record Date. All of the Monarch Shares and the Monarch Options, held by the Monarch directors will be treated in the same fashion under the Plan of Arrangement as Monarch Shares and the Monarch Options held by every other Monarch Shareholder and Monarch Optionholder, respectively.

Consistent with standard practice in similar transactions, in order to ensure that the Monarch directors do not lose or forfeit their protection under liability insurance policies maintained by Monarch, the Arrangement Agreement provides for the maintenance of such protection for six years. See “*Transaction Agreements – Arrangement Agreement – Insurance and Indemnification*” below.

Senior Executive Officers

The current responsibility for the general management of Monarch is held and discharged by a group of four senior executive officers, including Jean-Marc Lacoste, the President and Chief Executive Officer of Monarch, Marc-André Lavergne, the Vice President, Operations and Community Relations of Monarch, Alain Lévesque, the Vice President, Finance and Chief Financial Officer of Monarch and Mathieu Séguin, the Vice President, Corporate Development of Monarch. The senior executive officers of Monarch, in the aggregate, own or control 7,121,000 Monarch Shares representing approximately 2.22% of the Monarch Shares outstanding on the Record Date. The senior executive officers of Monarch, in the aggregate, own or control 4,625,000 Monarch Options, representing approximately 37.99% of the Monarch Options outstanding on the Record Date. All of the Monarch Shares and the Monarch Options held by the senior executive officers of Monarch will be treated in the same fashion under the Plan of Arrangement as Monarch Shares and the Monarch Options held by every other Monarch Shareholder and Monarch Optionholder, respectively.

Each of the senior executive officers of Monarch named below is party to a written employment agreement that provides for certain payments upon a “change of control” (as defined in the respective employment agreements) of Monarch. Pursuant to the Arrangement Agreement, a “change of control” will be deemed to have occurred immediately prior to the completion of the Arrangement.

In the event that Jean-Marc Lacoste’s employment is terminated upon a “change of control”, Mr. Lacoste will be entitled to receive (i) a severance payment equal to 24 months of his basic annual salary on the termination date; (ii) the greater of the following: (a) the bonus paid to him during the two financial years immediately preceding the date his employment terminated, or (b) the average of the annual bonuses paid to him in the three financial years immediately preceding the date his employment is terminated multiplied by two; (iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in his employment agreement; (iv) payment of fees of an outplacement counsellor and reimbursement of all reasonable expenses incurred in connection with his job search, up to a total amount equal to 5% of his annual

basic salary; and (v) payment of fees of the financial and/or tax advisor(s) chosen by Mr. Lacoste, up to an amount equal to 5% of his annual base salary.

In the event that Alain Lévesque's employment is terminated upon a "change of control" he is entitled to receive (i) a severance allowance equal to 12 months of his basic annual salary on the termination date; (ii) the greater of the following: (a) the bonus paid to him during the two financial years immediately preceding the date his employment is terminated, or (b) the average of the annual bonuses paid to him in the two financial years immediately preceding the date his employment is terminated multiplied by two; (iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in his employment agreement; (iv) payment of fees of an outplacement counsellor and reimbursement of reasonable expenses incurred in connection with Mr. Lévesque's job search, up to a total amount equal to 5% of his annual basic salary; and (v) payment of fees of the financial and/or tax advisor(s) chosen by Mr. Lévesque, up to an amount equal to 5% of his annual base salary.

In the event that Marc-André Lavergne's employment is terminated upon a "change of control" he is entitled to receive (i) a severance allowance equal to 12 months of his basic annual salary on the termination date; and (ii) the bonus paid to him during the financial year immediately preceding the date his employment is terminated.

In the event that Mathieu Séguin's employment is terminated upon a "change of control" he is entitled to receive (i) a severance allowance equal to 12 months of his basic annual salary on the termination date; and (ii) the bonus paid to him during the financial year immediately preceding the date his employment is terminated.

Based on the foregoing entitlements, each of the individuals named above will receive the following lump sum severance payments upon completion of the Arrangement: Jean-Marc Lacoste (\$1,013,500); Marc-André Lavergne (\$265,050); Alain Lévesque (\$295,500); and Mathieu Séguin (\$225,000).

Any and all Monarch Options held by the senior executive officers of Monarch will vest immediately upon a change of control (as defined in the Monarch Option Plan), which is the same treatment as all other Monarch Options under the Plan of Arrangement.

Fees and Expenses

The aggregate expenses of Monarch incurred or to be incurred in connection with the Arrangement, including, without limitation, contractual severance obligations, legal, accounting, audit, financial advisory, printing, director and officer run-off insurance and other administrative and professional fees, the preparation and printing of this Circular, fees owed to the Depositary in connection with the solicitation of proxies for the Meeting and other out-of-pocket costs associated with the Meeting are estimated to be approximately \$3,500,000 in the aggregate.

All expenses incurred in connection with the Arrangement and the transactions contemplated thereby shall be paid by the Party incurring such expense.

REGULATORY MATTERS AND APPROVALS

Securityholder Approval

At the Meeting, Monarch Securityholders will be asked to consider, and if deemed appropriate, approve the Arrangement Resolution. In order for the Arrangement to become effective, as provided in the Interim Order and by the CBCA, the Arrangement Resolution must be approved, with or without variation, by the affirmative vote of (i) at least 66 $\frac{2}{3}$ % of the votes cast by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) a simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any "interested party", any "related party" of an "interested party" or any "joint actor" of the foregoing (as such terms are defined under MI 61-101), which also satisfies the TSX requirement that the Arrangement be approved by the Monarch Shareholders without taking into account the votes of Monarch Optionholders.

Should the Monarch Securityholders fail to approve the Arrangement Resolution by the requisite majority, the Arrangement will not be completed. Notwithstanding the foregoing, the Arrangement Resolution authorizes the

Monarch Board, without further notice to or approval of the Monarch Securityholders, to revoke the Arrangement Resolution at any time prior to the Effective Time if they decide not to proceed with the Arrangement.

Court Approvals

The Arrangement requires approval by the Court under Section 192 of the CBCA. Prior to the mailing of this Circular, on November 30, 2020, Monarch obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. The full text of the Interim Order is set out in Appendix D to this Circular.

Under the terms of the Arrangement Agreement, if the Arrangement Resolution is approved by Monarch Securityholders at the Meeting in the manner required by the Interim Order, Monarch is required to seek the Final Order as soon as reasonably practicable, but in any event not later than two Business Days following the Meeting.

The application for the Final Order approving the Arrangement is currently scheduled for January 20, 2021 at 9:00 a.m. (Eastern time), or as soon thereafter as counsel may be heard, at the Superior Court, Commercial Division, in room 3.39 of the Québec Courthouse, 300 Jean-Lesage boulevard, Québec, Québec G1K 8K6 or at any other date and time as the Court may direct. Any Monarch Securityholder or any other interested party who wishes to appear or be represented and to present evidence or arguments at that hearing of the application for the Final Order must file and serve a notice of appearance no later than 5:00 p.m. (Eastern time) on January 13, 2021 along with any other documents required, all as set out in the Interim Order and the Notice of Application, the text of which are set out in Appendix D to this Circular, and satisfy any other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned then, subject to further order of the Court, only those persons having previously filed and served a notice of appearance will be given notice of the adjournment.

Monarch has been advised by its counsel, Stein Monast LLP, that the Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, Monarch and/or Yamana may determine not to proceed with the Arrangement.

The Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued under the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption. The Court will be advised at the hearing of the application for the Final Order that if the terms and conditions of the Arrangement, and the fairness thereof, are approved by the Court, pursuant to the Section 3(a)(10) Exemption, the Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued under the Arrangement will not require registration under the U.S. Securities Act. See "*The Arrangement — U.S. Securities Law Matters*" below.

For further information regarding the Court hearing and your rights in connection with the Court hearing, see the form of Notice of Application attached as Appendix D to this Circular. The Notice of Application constitutes notice of the Court hearing of the application for the Final Order and is your only notice of the Court hearing.

Regulatory Approvals

Pursuant to the Arrangement Agreement, it is a mutual condition precedent to completion of the Arrangement that all of the Regulatory Approvals will have been obtained. Within the time prescribed after the date of the Arrangement Agreement, each Party, or where appropriate, Yamana or both Parties jointly, will make all required notifications, filings, applications and submissions required to obtain the Regulatory Approvals and will use their respective reasonable best efforts to take or cause to be taken all actions necessary or advisable on their respective parts to discharge their respective obligations under the Arrangement Agreement or otherwise advisable under Laws in connection with the Arrangement and the Arrangement Agreement.

Other than the Monarch Securityholder Approval, the Final Order and the necessary conditional approvals (or equivalent) as the case may be, of the TSX, NYSE and LSE having been obtained, Monarch is not aware of any material approval, consent or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency that would be required to be obtained in order to complete the Arrangement, as applicable. In the

event that any such approvals or consents are determined to be required, such approvals or consents will be sought. Any such additional requirements could delay the Effective Date or prevent the completion of the Arrangement. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, Monarch currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved by the Effective Date, as applicable.

Stock Exchange Listing Approval and Delisting Matters

The Monarch Shares currently trade on the TSX under the symbol “MQR”, the OTCQX under the symbol “MRQRF” and the Frankfurt Stock Exchange under the symbol “MR7.F”. It is a condition to the completion of the Arrangement, in favour of Yamana, that the SpinCo Shares will have been conditionally approved for listing on the TSX, or such other recognized stock exchange mutually agreed to with Yamana on or before the Effective Date. See “*Risk Factors – Risk Factors Relating to SpinCo Following Completion of the Arrangement*”. Following the Effective Date, the Monarch Shares will be delisted from the TSX (anticipated to be effective one to two Business Days following the Effective Date) and Yamana expects to apply to the applicable Canadian securities regulators to have Monarch cease to be a reporting issuer.

The Yamana Shares currently trade on the TSX under the symbol “YRI”, the NYSE under the symbol “AUY” and the LSE under the symbol “AUY”. It is a condition to the completion of the Arrangement, in favour of Monarch, that the TSX will have conditionally approved the listing of the Consideration Shares issuable pursuant to the Arrangement on the TSX, and that the NYSE, subject to official notice of issuance, will have approved the listing of the Consideration Shares on the NYSE. It is a condition to the completion of the Arrangement that Yamana will have applied to the FCA and the LSE for the UK Admission.

Yamana has applied to the TSX for listing of the Consideration Shares. Listing is subject to the approval of the TSX in accordance with its applicable listing requirements. Yamana anticipates receiving all required authorizations from the TSX and NYSE prior to the closing of the Arrangement. All applicable filings with the FCA and LSE will be completed with the FCA and LSE prior to the Effective Date.

Canadian Securities Law Matters

Status Under Canadian Securities Laws

Monarch is a reporting issuer in British Columbia, Alberta, Ontario and Québec. The Monarch Shares currently trade on the TSX, the OTCQX and the Frankfurt Stock Exchange. Following the Effective Date, the Monarch Shares will be delisted from the TSX (anticipated to be effective one to two Business Days following the Effective Date) and Yamana expects to apply to the applicable Canadian securities regulators to have Monarch cease to be a reporting issuer.

Upon completion of the Arrangement, SpinCo expects that it will be a reporting issuer in British Columbia, Alberta, Ontario and Québec. SpinCo has applied to have the SpinCo Shares listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved SpinCo's listing application and there is no assurance that the TSX will approve the listing of the SpinCo Shares. There can be no assurance as to if, or when, the SpinCo Shares will be listed or traded. As the SpinCo Shares are not listed on a stock exchange, unless and until such a listing is obtained, holders of SpinCo Shares may not have a market for their SpinCo Shares. See “*Risk Factors – Risk Factors Relating to SpinCo Following Completion of the Arrangement*”.

Yamana is a reporting issuer in all of the provinces and territories of Canada. The Yamana Shares currently trade on the TSX, the NYSE and the LSE and following the Effective Date, the Yamana Shares will remain listed on the TSX, the NYSE and the LSE.

Distribution and Resale of Consideration Shares and SpinCo Shares Under Canadian Securities Laws

The distribution of the Consideration Shares and SpinCo Consideration Shares pursuant to the Arrangement will constitute a distribution of securities which is exempt from the prospectus requirements of Canadian securities legislation and is exempt from or otherwise is not subject to the registration requirements under applicable securities legislation. The Consideration Shares and SpinCo Consideration Shares received pursuant to the Arrangement will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (i) the

trade is not a “control distribution” as defined in National Instrument 45-102 – *Resale of Securities*, (ii) no unusual effort is made to prepare the market or to create a demand for the Consideration Shares or the SpinCo Consideration Shares, (iii) no extraordinary commission or consideration is paid to a person in respect of such sale, and (iv) if the selling security holder is an insider or officer of Yamana or SpinCo, the selling security holder has no reasonable grounds to believe that Yamana or SpinCo, as the case may be, is in default of applicable Securities Laws.

Each Monarch Securityholder is urged to consult his or her professional advisors to determine the Canadian conditions and restrictions applicable to trades in Consideration Shares or SpinCo Consideration Shares.

MI 61-101

MI 61-101 regulates certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding “interested parties” or “related parties”, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to “business combinations” (as defined in MI 61-101) that terminate the interests of securityholders without their consent. MI 61-101 provides that, in certain circumstances, where a “related party” of an issuer (as defined in MI 61-101 and including directors, executive officers and shareholders holding over 10% of issued and outstanding shares of the issuer) is entitled to receive a “collateral benefit” (as defined in MI 61-101) in connection with an arrangement (such as the Arrangement), such transaction may be considered a “business combination” for the purposes of MI 61-101 and subject to valuation and minority approval requirements and such related party will be an “interested party” (as defined in MI 61-101).

A “collateral benefit” (as defined in MI 61-101) includes any benefit that a “related party” of Monarch is entitled to receive as a consequence of the Arrangement, including without limitation, an increase in salary, a lump sum payment, a payment for surrendering securities or other enhancement in benefits related to services as an employee, director or consultant of Monarch. MI 61-101 excludes from the meaning of collateral benefit a payment per security that is identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class, as well as certain benefits to a related party received solely in connection with the related party’s services as an employee or director of an issuer, of an affiliated entity of such issuer or of a successor to the business of such issuer where (a) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (b) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (c) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (d) either (i) at the time of the transaction the related party and his or her associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding securities of each class of equity securities of the issuer, or (ii) the related party discloses to an independent committee of the issuer the amount of consideration that he or she expects to be beneficially entitled to receive, under the terms of the transaction, in exchange for the equity securities he or she beneficially owns and the independent committee acting in good faith determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value of the consideration the related party will receive pursuant to the terms of the transaction for the equity securities it beneficially owns, and the independent committee’s determination is disclosed in the disclosure document for the transaction.

The directors and officers of Monarch may have interests in the Arrangement that are, or may be, different from, or in addition to, the interests of other Monarch Securityholders. These interests include those described below and elsewhere in this Circular. The Monarch Board is aware of these interests and considered them, among other matters, when recommending approval of the Arrangement Resolution by Monarch Securityholders.

Change of Control Payments

Pursuant to the terms of their respective employment contracts with Monarch, the following officers of Monarch are entitled to the change of control payments set out below upon completion of the Arrangement:

1. Jean-Marc Lacoste, President and Chief Executive Officer and director of Monarch, is entitled to receive a lump sum payment equal to approximately \$1,013,500; and
2. Mathieu Séguin, Vice President, Corporate Development, is entitled to receive a lump sum payment equal to approximately \$225,000.

(together, the “**Change of Control Payments**”)

Since Messrs. Lacoste and Séguin each individually hold more than 1% of the outstanding Monarch Shares (on a partially diluted basis), the Change of Control Payments they may receive as a consequence of the Arrangement constitute a “collateral benefit” for the purposes of MI 61-101.

Pursuant to the individual employment agreements or equivalent agreements Monarch has entered into with certain other executive officers, the completion of the Arrangement will also result in the payment by Monarch of change of control payments or termination payments to such other executive officers. See “*The Arrangement – Interests of Certain Persons in the Arrangement – Executive Officers*”. However, since none of such executive officers of Monarch individually hold more than 1% of the outstanding Monarch Shares, such change of control payments or termination payments each such executive officer may be entitled to receive as a consequence of the Arrangement will not constitute a “collateral benefit” for the purposes of MI 61-101 and therefore their Monarch Shares will not need to be excluded from the minority approval of the Arrangement Resolution.

Minority Approval Requirements

As a result of the foregoing analysis, the minority approval requirements of MI 61-101 will apply in connection with the Arrangement and in addition to obtaining approval of the Arrangement Resolution by at least 66⅔% of the votes cast by Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, approval will also be sought from a simple majority of the votes cast by the Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding the votes of the “interested parties” whose votes may not be included in determining minority approval of a “business combination” under MI 61-101.

The table below sets forth the votes of interested parties (or related parties of interested parties) excluded for purposes of determining minority approval in accordance with MI 61-101:

Name	Number of Monarch Shares to be Excluded
Jean-Marc Lacoste	4,210,000 Monarch Shares
Mathieu Séguin	2,700,000 Monarch Shares

Valuation Requirements

Monarch is not required to obtain a formal valuation under MI 61-101 as no related party of Monarch is, as a consequence of the Arrangement, directly or indirectly acquiring Monarch or its business and neither the Arrangement nor the transactions contemplated thereunder is a “related party transaction” (as defined in MI 61-101) for which Monarch would be required to obtain a formal valuation.

MI 61-101 also requires Monarch to disclose any “prior valuations” (as defined in MI 61-101) of Monarch or its material assets or securities made within the 24-month period preceding the date of this Monarch Circular. After reasonable inquiry, neither Monarch nor any director or officer of Monarch has knowledge of any such prior valuation.

Disclosure is also required for any *bona fide* prior offer for the Monarch Shares during the 24 months before entry into the Arrangement Agreement. There has not been any such offer during such 24-month period.

U.S. Securities Law Matters

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to Monarch Securityholders. The discussion is based in part on non-binding interpretations and no-action letters provided by the staff of the SEC, which do not have the force of law. **All Monarch Securityholders are urged to consult with their own legal counsel to ensure that any subsequent resale of securities issued or distributed to them under the Arrangement complies with applicable securities legislation.** See also “*Note to United States Shareholders*”.

The following discussion does not address the Canadian Securities Laws that will apply to the issue or resale of securities by Monarch Securityholders within Canada. Monarch Securityholders reselling their securities in Canada must comply with Canadian Securities Laws, as outlined elsewhere in this Circular.

The Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued pursuant to the Arrangement will not be registered under the U.S. Securities Act and will be issued in reliance upon the Section 3(a)(10) Exemption. The Section 3(a)(10) Exemption exempts from the registration requirements of U.S. Securities Act securities issued in exchange for one or more bona fide outstanding securities, or partly in such exchange and partly for cash, where the terms and conditions of the issuance and exchange are approved by a court of competent jurisdiction that is expressly authorized by Law to grant such approval, after a hearing upon the fairness of such terms and conditions of such issuance and exchange at which all persons to whom the securities will be issued in such exchange have the right to appear and receive timely notice thereof. The Court issued the Interim Order on November 30, 2020 and, subject to the approval of the Arrangement by the Monarch Securityholders, a hearing for a Final Order approving the Arrangement will be held at 9:00 a.m. (Eastern time) on January 20, 2021 (or as soon thereafter as legal counsel can be heard) at the Superior Court, Commercial Division, in room 3.39 of the Québec Courthouse, 300 Jean-Lesage boulevard, Québec, Québec G1K 8K6. All Monarch Securityholders are entitled to appear and be heard at this hearing. Accordingly, the Final Order, if granted by the Court after the Court considers the substantive and procedural fairness of the Arrangement to the Monarch Securityholders, will constitute a basis for the exemption from the registration requirements of the U.S. Securities Act pursuant to the Section 3(a)(10) Exemption with respect to the Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued in connection with the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order.

The Consideration Shares and SpinCo Consideration Shares to be held by Monarch Securityholders following completion of the Arrangement will not be subject to resale restrictions under U.S. federal securities laws, except by persons who are affiliates of Yamana (with respect to the Consideration Shares) or affiliates of SpinCo (with respect to the SpinCo Consideration Shares) at the time of their proposed transfer or within 90 days prior to their proposed transfer. An “affiliate” of an issuer is a person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer. “Control” means the possession, direct or indirect, of the power to direct or cause direction of the management and policies of an issuer, whether through the ownership of voting securities, by contract or otherwise. Typically, persons who are executive officers, directors or 10% or greater shareholders of an issuer are considered to be its “affiliates”.

Monarch Securityholders who are affiliates of Yamana or SpinCo, as applicable, at the time of, or within 90 days before, their resale of Consideration Shares or SpinCo Consideration Shares will be subject to restrictions on resale imposed by the U.S. Securities Act with respect to the Consideration Shares and SpinCo Consideration Shares, as applicable. These Monarch Securityholders may not resell their Consideration Shares or SpinCo Consideration Shares, as applicable, unless such securities are registered under the U.S. Securities Act or an exemption from registration is available, such as pursuant to Regulation S or Rule 144, if available, as follows:

- *Resale Pursuant to Regulation S.* In general, under Regulation S, persons who are affiliates of Yamana or SpinCo, as applicable, at the time of their resale of Consideration Shares or SpinCo Consideration Shares solely by virtue of their status as an officer or director of Yamana or SpinCo, as applicable, may sell Consideration Shares or SpinCo Consideration Shares, as applicable, outside of the United States in an “offshore transaction” (which would include a sale through the TSX, TSXV or CSE, if applicable) if neither

the seller nor any person acting on its behalf engages in “directed selling efforts” in the United States and no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker’s commission. For purposes of Regulation S, “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered” in the sale transaction. Certain additional restrictions are applicable to a holder of Consideration Shares or SpinCo Consideration Shares who is an affiliate of Yamana or SpinCo, as applicable, at the time of their resale of Consideration Shares or SpinCo Consideration Shares, as applicable, other than by virtue of his or her status as an officer or director of Yamana or SpinCo, as applicable.

- *Resale Pursuant to Rule 144.* In general, under Rule 144 under the U.S. Securities Act, if available, persons who are affiliates of Yamana or SpinCo, as applicable, at the time of, or within 90 days before, their resale of Consideration Shares or SpinCo Consideration Shares, as applicable, will be entitled to sell Consideration Shares or SpinCo Consideration Shares in the United States, provided that during any three-month period, the number of such Consideration Shares or SpinCo Consideration Shares, as applicable, sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange, the average weekly trading volume of such securities during the four-week period preceding the date of sale, subject to specified restrictions on the manner of sale, notice requirements, aggregation rules and the availability of current public information about Yamana or SpinCo, as applicable.

TRANSACTION AGREEMENTS

Arrangement Agreement

The following summarizes the material provisions of the Arrangement Agreement. This summary may not contain all of the information about the Arrangement Agreement that is important to Monarch Shareholders. The rights and obligations of the Parties are governed by the express terms and conditions of the Arrangement Agreement and not by this summary or any other information contained in this Circular. This summary is qualified in its entirety by reference to the Arrangement Agreement, which is incorporated by reference herein and has been filed by Monarch under its profile on SEDAR at www.sedar.com.

In reviewing the Arrangement Agreement and this summary, please remember that this summary has been included to provide Monarch Securityholders with information regarding the terms of the Arrangement Agreement and is not intended to provide any other factual information about Monarch, Yamana or any of their subsidiaries or affiliates. The Arrangement Agreement contains representations and warranties and covenants by each of the Parties to the Arrangement Agreement, which are summarized below. These representations and warranties have been made solely for the benefit of the other Parties to the Arrangement Agreement and:

- were not intended as statements of fact, but rather as a way of allocating the risk to one of the Parties if those statements prove to be inaccurate;
- have been qualified by certain confidential disclosures that were made to the other Party in connection with the negotiation of the Arrangement Agreement, which disclosures are not reflected in the Arrangement Agreement; and
- may apply standards of materiality in a way that is different from what may be viewed as material by Monarch Securityholders or other investors or are qualified by reference to a Material Adverse Effect or Yamana Material Adverse Effect, as applicable, or in the case of Monarch, by the Monarch Disclosure Letter.

Moreover, information concerning the subject matter of the representations and warranties in the Arrangement Agreement and described below may have changed since November 1, 2020 and subsequent developments or new information qualifying a representation or warranty may have been included in this Circular. Accordingly, the representations and warranties and other provisions of the Arrangement Agreement should not be read alone, but instead should be read together with the information provided elsewhere in this Circular and in the documents incorporated by reference into this Circular.

Representations and Warranties

The representations and warranties of the Parties relate to, among other things, organization and qualification; corporate power and authority relative to the Arrangement Agreement; required approvals; no violation of constating documents or certain agreements; capitalization; reporting issuer status and Securities Law matters; financial statements; undisclosed liabilities; absence of certain changes; compliance with Laws; litigation; insolvency; and ownership of the other Party's securities.

The Arrangement Agreement also contains certain representations and warranties made solely by Monarch with respect to subsidiaries; other investments; shareholder and similar agreements; U.S. securities matters; auditors; permits; operational matters; interest in properties; expropriation; cultural heritage; technical matters; work program payments; Aboriginal matters; non-governmental organizations and community groups; Taxes; Contracts; employment matters; health and safety; acceleration of benefits; pensions and employee benefits; employee matters; employment withholdings; intellectual property; environmental matters; insurance; books and records; non-arm's length transactions; financial advisors or brokers; opinions of financial advisors; approval of the Monarch Board; data room information; arrangements with securityholders; restrictions on business activities; funds available; Competition Act matters and full disclosure; and certain representations and warranties made solely by Yamana with respect to: the Consideration Shares and certain Securities Law matters.

Covenants

Monarch and Yamana have agreed to certain covenants that will be in force between the date of the Arrangement Agreement and the Effective Time. Set forth below is a brief summary of certain of those covenants.

Efforts to Obtain Required Monarch Securityholder Approval

The Arrangement Agreement requires Monarch to use commercially reasonable efforts to hold the Meeting as soon as reasonably practicable after the Interim Order is issued and in no event later than December 30, 2020, unless Yamana consents in writing to adjourn, postpone or cancel the Meeting.

In general, Monarch is not permitted to adjourn the Meeting except as required by Law and in certain situations with the consent of Yamana. However, if the Meeting is scheduled to occur during a Superior Proposal Notice Period (as further discussed under "*Non-Solicitation Covenants*" below), Monarch may, and upon the request of Yamana, Monarch will, adjourn or postpone the Meeting to a date that is not more than six Business Days after the scheduled date of the Meeting.

Conduct of Business

Monarch has undertaken until the Effective Time (or, if earlier, the date the Arrangement Agreement is terminated in accordance with its terms), unless expressly required or permitted under certain provisions of the Arrangement Agreement, as required by applicable Law or a Governmental Authority, unless Yamana consents in writing and except as set out in the Monarch Disclosure Letter, to (a) conduct its and its subsidiaries' businesses only in the ordinary course of business, (b) use commercially reasonable efforts to maintain and preserve intact its and its subsidiaries' business organizations, assets, properties, rights, goodwill and business relationships and to keep available the services of their respective officers, employees and consultants as a group and (c) fully cooperate and consult through meetings with Yamana, as Yamana may reasonably request, to allow Yamana to monitor, and provide input with respect to the direction and control of, any activities relating to the exploration and maintenance of the Acquisition Properties. In addition, Monarch has agreed to notify Yamana of (i) any event, circumstance or development that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, respectively; (ii) any breach of the Arrangement Agreement by it; (iii) any event occurring after the date of the Arrangement Agreement that would render a representation or warranty inaccurate such that certain conditions in Arrangement Agreement would not be satisfied, or (iv) any "material change" in relation to it or its subsidiaries.

Without limiting the generality of the foregoing, Monarch has undertaken not to, and to cause its subsidiaries not to, directly or indirectly (nor to agree, announce, resolve, authorize or commit to do any of the matters below):

- (a) alter or amend its articles, by-laws or other constating documents;
- (b) declare, set aside or pay any dividend on or make any distribution or payment or return of capital in respect of any equity securities of Monarch other than as set out in the Arrangement Agreement;
- (c) split, consolidate or reclassify any securities of Monarch or its subsidiaries;
- (d) other than as specified in the Arrangement Agreement, issue, sell, grant, award, pledge, dispose of or otherwise encumber any of its equity or voting interests or any options, stock appreciation rights, warrants, calls, conversion or exchange privileges or rights of any kind to acquire (whether on exchange, exercise, conversion or otherwise) any of its equity or voting interests or other securities or any shares of its subsidiaries;
- (e) redeem, purchase or otherwise acquire or subject to any Lien, any of its outstanding securities or securities convertible into or exchangeable or exercisable for its securities;
- (f) amend the terms of any of its securities or any securities of its subsidiaries;
- (g) adopt a plan of liquidation or pass any resolution providing for its liquidation or dissolution;
- (h) reorganize, amalgamate or merge with any other person;
- (i) reduce its stated capital;
- (j) enter into any Contracts or other arrangements regarding the control or management of the operations, or the appointment of governing bodies or enter into any joint ventures;
- (k) other than as specified in the Arrangement Agreement, make any material changes to any of its accounting policies, principles, methods, practices or procedures;
- (l) enter into, modify or terminate any Contract with respect to any of (a) – (j) above;
- (m) sell, pledge, lease, license, dispose of, mortgage or encumber or otherwise transfer any of its assets or properties;
- (n) acquire or agree to acquire, directly or indirectly, any corporation, partnership, association or other business organization or division thereof or any property or asset, or make any investment, directly or indirectly, by the purchase of securities, contribution of capital, property transfer, or purchase of any property or assets of any other person;
- (o) incur any capital expenditures, enter into any agreement obligating it to provide for future capital expenditures, or incur any indebtedness or issue any debt securities;
- (p) pay, discharge or satisfy any claim, liability or obligation prior to the same being due, other than the payment, discharge or satisfaction, in the ordinary course of business, of liabilities reflected or reserved against in the Monarch Annual Financial Statements, or voluntarily waive, release, assign, settle or compromise any Proceeding;
- (q) engage in any new business, enterprise or other activity that is inconsistent with its existing business;
- (r) other than as specified in the Arrangement Agreement, expend or commit to expend any amounts with respect to expenses for any Monarch Properties;

- (s) authorize, or enter into or modify any Contract to do, any of (m) – (r) above;
- (t) terminate, fail to renew, cancel, waive, release, grant or transfer any rights that are material to Monarch;
- (u) other than as specified in the Arrangement Agreement, enter into any Contract that would be a material Contract, or terminate, cancel, extend, renew or amend, modify or change any material Contract, or waive, release, or assign any material rights or claims thereto or thereunder;
- (v) enter into any lease or sublease of real property, or modify, amend or exercise any right to renew any lease or sublease of real property or acquire any interest in real property;
- (w) other than as specified in the Arrangement Agreement, (i) grant any salary increase, fee or pay any bonus, award (equity or otherwise) or other material compensation to the directors, officers, employees or consultants of Monarch and its subsidiaries; (ii) take any action with respect to the grant, acceleration or increase of any severance, change of control, retirement, retention or termination pay or amend any existing arrangement relating to the foregoing; (iii) enter into or modify any employment or consulting agreement with any officer or director of Monarch or its subsidiaries; (iv) terminate the employment or consulting arrangement of any senior management employees, except for cause; (v) increase any benefits payable under its current severance or termination pay policies; (vi) increase the coverage, contributions, funding requirements or benefits available under any Employee Plan or create any new plan which would be considered to be an Employee Plan once created; (vii) make any material determination under any employee plan that is not in the ordinary course of business; (viii) amend the Monarch Option Plan, or adopt or make any contribution to or any award under any new performance share unit plan or other bonus, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, compensation or other similar plan, agreement, trust, fund or arrangement for the benefit of directors or senior officers or former directors or senior officers of Monarch or its subsidiaries; (ix) take any action to accelerate the time of payment of any compensation or benefits, amend or waive any performance or vesting criteria or accelerate vesting under, or otherwise amend, the Monarch Option Plan; or (x) establish, adopt, enter into, amend or terminate any collective bargaining agreement;
- (x) make any loan to any officer, director, employee or consultant of Monarch or its subsidiaries;
- (y) make an application to amend, terminate, allow to expire or lapse or otherwise modify any of its material Permits or take any action or fail to take any action which would result in the material loss, expiration or surrender or loss of material benefit under any material Permit;
- (z) other than as specified in the Arrangement Agreement, settle or compromise any action, claim or other Proceeding;
- (aa) enter into any Contract: (i) containing (A) limitations or restrictions on its or its subsidiaries' ability to engage in any type of activity or business, (B) limitations or restrictions on its subsidiaries' manner and locality of business conduct, or (C) limitations or restrictions on its or its subsidiaries' solicitation of customers or employees or (ii) that would reasonably be expected to significantly impede or materially delay the completion of the Arrangement;
- (bb) (i) change in any material respect its tax accounting methods, principles or practices, (ii) settle, compromise or agree to the entry of judgment with respect to any action, claim or other Proceeding relating to Taxes, (iii) enter into any tax sharing, tax allocation or tax indemnification agreement, (iv) make a request for a tax ruling to any Governmental Authority, or (v) agree to any extension or waiver of the limitation period relating to any material Tax claim or assessment or reassessment; or
- (cc) except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, take any action which would render, or which reasonably may be expected to render, any representation or warranty made by Monarch in the Arrangement Agreement untrue or inaccurate in any material respect at any time prior to the Effective Date if then made.

In addition, Monarch is required to use its commercially reasonable efforts to: (i) retain its and its subsidiaries' existing employees and consultants and promptly provide notice to Yamana of the resignation or termination of any of its key employees or consultants; (ii) timely file all Tax returns required and withhold, collect, remit and pay all Taxes which are to be withheld, collected, remitted or paid by it to the extent due and payable except for any Taxes being contested in good faith; and (iii) to cause the current insurance policies maintained by it and its subsidiaries not to be cancelled, terminated, amended or modified and to prevent any of the coverage thereunder from lapsing, provided, however, that except as specified in the Arrangement Agreement, Monarch will not obtain or renew any insurance policy for a term exceeding 12 months.

Mutual Covenants

Each of Monarch and Yamana has covenanted and agreed that, until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, it will:

- (a) use commercially reasonable efforts to complete the Arrangement, including by (i) obtaining all Regulatory Approvals; (ii) effecting or causing to be effected all necessary registrations, filings and submission of information required by Governmental Authorities; (iii) opposing, lifting or rescinding any injunction or restraining order against it or other order, decrees, ruling or action against it seeking to stop, or otherwise adversely affecting its ability to make and complete, the Arrangement; and (iv) cooperating with the other Party in connection with the performance of its obligation under the Arrangement Agreement;
- (b) use commercially reasonable efforts not to take any action, or refrain from taking any commercially reasonable action, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent or significantly impede or materially delay the completion of the Arrangement;
- (c) promptly notify the other Party of: (i) any material communications from any person alleging the consent of such person (or another person) is or may be required in connection with the Arrangement; (ii) any material communications from any Governmental Authority in connection with the Arrangement; and (iii) any litigation threatened or commenced against or otherwise affect such Party or any of its subsidiaries that is related to the Arrangement; and
- (d) use commercially reasonable efforts to execute and do all acts, further deeds, things and assurances as may be required in the reasonable opinion of the other Parties' legal counsel to permit the completion of the Arrangement.

Regulatory Approvals

Each of Monarch and Yamana has agreed to use commercially reasonable efforts to obtain all required Regulatory Approvals and to cooperate with the other Party in connection with all Regulatory Approvals sought by the other Party.

Each of Monarch and Yamana has agreed to use commercially reasonable efforts to respond promptly to any request or notice from any Governmental Authority, to permit the other Party an opportunity to review in advance any proposed applications, notices, filings, submissions, undertakings, correspondence and communications (including responses to requests for information and inquiries from any Governmental Authority) in respect of obtaining or concluding all required Regulatory Approvals and to keep the other Party reasonably informed on a timely basis of the status of discussions relating to obtaining or concluding the required Regulatory Approvals.

Employment Matters

Monarch has agreed that, prior to the Effective Time, it will cause and cause its subsidiaries to cause all directors, officers, employees and consultants of Monarch and its subsidiaries, other than those individuals specifically identified by Yamana as being retained by Yamana, to provide resignations and releases of all claims against Monarch or to terminate such officers effective as at the Effective Time

Yamana has covenanted to Monarch that it will cause Monarch, its subsidiaries and any successor to Monarch to honour and comply with the terms of all of the severance payment obligations of Monarch or its subsidiaries under

applicable Law and the existing employment, consulting, change of control and severance agreements that are fully and completely disclosed in the Compensation Schedule, in exchange for the execution of full and final releases of Monarch and its subsidiaries from all liability and obligations including in respect of the change of control entitlements in favour of Monarch. The Parties have agreed that the total amount agreed to in the Compensation Schedule will be deposited with and held in trust by Monarch's legal counsel at the Effective Time.

Insurance and Indemnification

Yamana has agreed that, prior to the Effective Time, Monarch may purchase prepaid non-cancellable run-off directors' and officers' liability insurance, at a cost not exceeding 200% of Monarch's annual aggregate premium for directors' and officers' liability policies currently maintained by Monarch, providing coverage for a period of six years from the Effective Time with respect to claims arising from or related to facts or events which occur on or prior to the Effective Date.

The Parties have also agreed that all rights to indemnification existing in favour of the present and former directors and officers of Monarch as provided in the CBCA will survive and will continue in full force and effect and without modification, and Monarch and any successor to Monarch will continue to honour such rights of indemnification and indemnify such directors and officers pursuant thereto, with respect to actions or omissions of such persons occurring prior to the Effective Time, for six years following the Effective Date.

Other Covenants and Agreements

The Arrangement Agreement contains certain other covenants and agreements, including, among other things, covenants relating to:

- (a) cooperation between Monarch and Yamana in connection with public announcements and communications with Monarch Shareholders;
- (b) cooperation between Monarch and Yamana in the preparation and filing of this Circular;
- (c) the use of commercially reasonable efforts by each of, and cooperation between, Monarch and Yamana, to obtain all necessary waivers, consents and approvals required to be obtained by Monarch and Yamana from other third parties in order to complete the Arrangement;
- (d) other than as specified in the Arrangement Agreement, the use of commercially reasonable efforts by Monarch to effect such reorganization of its business, operations, subsidiaries and assets or such other transactions as Yamana may reasonably request prior to the Effective Date;
- (e) the use of commercially reasonable efforts by each Monarch and Yamana to oppose or seek to lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend all lawsuits or other legal, regulatory or other Proceedings against or relating to it challenging or affecting the Arrangement Agreement or the completion of the Arrangement;
- (f) Monarch providing Yamana with notice of receipt of any written notice of dissent or purported exercise by any Monarch Shareholder of Dissent Rights;
- (g) the use of commercially reasonable efforts by Yamana to obtain conditional approval or equivalent of the listing and posting for trading on the TSX and the NYSE of the Consideration Shares, subject only to the satisfaction by Yamana of customary listing conditions of the TSX and the NYSE;
- (h) the use of commercially reasonable efforts by Monarch to ensure that securities issued pursuant to the Arrangement will be issued in reliance on the Section 3(a)(10) Exemption; and
- (i) access by each Party to certain information about the other Party during the period prior to the Effective Time and the Parties' agreement to keep information exchanged confidential.

SpinCo Reorganization

Pursuant to the Arrangement Agreement, Monarch has undertaken to, among other things, sell the SpinCo Assets to SpinCo and assign to SpinCo all of the SpinCo Liabilities as of the day prior to the Effective Date. Monarch has acknowledged and agreed that it and SpinCo will make a joint election under Section 85 of the Tax Act (and any similar provision under any applicable provincial tax statute) in respect of the transfer of the SpinCo Assets and that the “elected amount” in respect of each type of property for purposes of the Tax Act comprising the SpinCo Assets will be the lowest amount permitted under Section 85 of the Tax Act in respect of each such type of property, unless Monarch, SpinCo and Yamana agree otherwise.

Non-Solicitation Covenants

Monarch has agreed not to, directly or indirectly, including through its subsidiaries or its Representatives:

- (a) make, initiate, solicit, promote, entertain, encourage or facilitate any inquiry or expression of interest or the making of any proposal or offer with respect to an Acquisition Proposal or that could reasonably be expected to constitute or lead to an Acquisition Proposal;
- (b) enter into or otherwise engage or participate directly or indirectly in any discussions or negotiations with, furnish confidential information to, any person (other than Yamana and its subsidiaries) regarding an Acquisition Proposal or any inquiry, proposal or offer that could reasonably be expected to constitute or lead to an Acquisition Proposal;
- (c) take no position or remain neutral with respect to, or agree to, accept, approve, endorse or recommend, or propose publicly to agree, approve, endorse or recommend any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect thereto for a period of no more than three Business Days after such proposal has been publicly announced is deemed not to constitute a violation of the Arrangement Agreement);
- (d) make, or propose publicly to make, a Change of Recommendation; or
- (e) accept, enter into, or propose publicly to accept or enter into, any agreement, understanding or arrangement effecting or related to any Acquisition Proposal or potential Acquisition Proposal (an “**Acquisition Agreement**”), other than an Acceptable Confidentiality Agreement.

Monarch has agreed to, and to cause its subsidiaries and Representatives to, immediately cease and terminate any existing solicitation, encouragement, discussion, negotiation or other activities with any person (other than Yamana, its subsidiaries and their respective Representatives) with respect to any Acquisition Proposal or any inquiry, proposal or offer that could reasonably be expected to constitute or lead to an Acquisition Proposal. Monarch has agreed to immediately discontinue access to any of its confidential information, including access to any data room, virtual or otherwise, to any person (other than access by Yamana and its Representatives). Monarch has agreed to request and use its commercially reasonable efforts to ensure the return or destruction of all confidential information regarding Monarch or its subsidiaries previously provided in connection therewith to any person (other than Yamana and its Representatives). In addition, Monarch has agreed to enforce all confidentiality, standstill, non-disclosure or similar agreement, restrictions of covenants to which it or its subsidiaries is a party.

If at any time prior to the Meeting, Monarch receives a bona fide written Acquisition Proposal from any person that did not result from a breach of the non-solicitation provisions of the Arrangement Agreement, subject to compliance with Monarch’s obligation to notify Yamana as described below, Monarch and its Representatives, may contact such person solely to clarify the terms and conditions of such Acquisition Proposal and, if the Monarch Board determines in good faith, after consultation with its financial advisors and outside legal counsel that such Acquisition Proposal constitutes or could reasonably be expected to constitute lead to a Superior Proposal, and subject to compliance with the non-solicitation provisions of the Arrangement Agreement, then Monarch and its Representatives, may (a) furnish information to such person pursuant to an Acceptable Confidentiality Agreement, if and only if (i) Monarch provides a copy of such agreement to Yamana promptly upon its execution and (ii) Monarch concurrently provides Yamana with any non-public information concerning Monarch that is provided to such person which was not previously

provided to Yamana or its Representatives, and (b) engage in or participate in any discussions or negotiations regarding such Acquisition Proposal.

Monarch must promptly (and, in any event, within 24 hours) notify Yamana of any Acquisition Proposal, any inquiry that could reasonably be expected to constitute or lead to an Acquisition Proposal or any request for non-public information relating to, or access to the properties, books or records of, Monarch in connection with an Acquisition Proposal, including providing a copy of the Acquisition Proposal, a description of the material terms and conditions of such inquiry or request and the identity of the person making such Acquisition Proposal, inquiry or request. Monarch has covenanted to keep Yamana promptly and fully informed of the status, developments and details of any such inquiry, request or Acquisition Proposal, including any material changes, modifications or other amendments thereto.

If at any time prior to the Meeting, Monarch receives an Acquisition Proposal that constitutes a Superior Proposal, the Monarch Board may make a Change of Recommendation and/or enter into any Acquisition Agreement with respect to such Superior Proposal, but only if:

- (a) Monarch has complied with and continues to be in compliance with the non-solicitation and right to match provisions of the Arrangement Agreement;
- (b) Monarch has given written notice to Yamana (a “**Superior Proposal Notice**”) that it has received such Superior Proposal and that the Monarch Board has determined that (i) such Acquisition Proposal constitutes a Superior Proposal and (ii) the Monarch Board intends to (A) make a Change of Recommendation, and/or (B) enter into an Acquisition Agreement with respect to such Superior Proposal, together with a summary of the material terms thereof, and, if applicable, a written notice from the Monarch Board regarding the value or range of values in financial terms that the Monarch Board has, in consultation with financial advisors, determined should be ascribed to any non-cash consideration offered in the Superior Proposal;
- (c) a period of five full Business Days (the “**Superior Proposal Notice Period**”) will have elapsed from the date that Yamana received the Superior Proposal Notice together with the summary of material terms and copies of any proposed Acquisition Agreement;
- (d) the Monarch Board has determined in good faith, (i) after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal remains a Superior Proposal (if applicable, as compared to the Arrangement as proposed to be amended by Yamana), and (ii) that the failure to make a Change of Recommendation or to cause Monarch to terminate the Arrangement Agreement to enter into an Acquisition Agreement with respect to such Superior Proposal would be inconsistent with the fiduciary duties of the Monarch Board; and
- (e) Monarch concurrently terminates the Arrangement Agreement and pays the Termination Fee to Yamana.

During a Superior Proposal Notice Period, Yamana has the right, but not the obligation, to propose to amend the terms of the Arrangement Agreement in order for such Acquisition Proposal to cease to be a Superior Proposal. If the Monarch Board determines that such Acquisition Proposal would cease to be a Superior Proposal as a result of the amendments proposed by Yamana, the Parties will amend the terms of the Arrangement Agreement and the Arrangement to reflect such offer made by Yamana. Each successive amendment to any Acquisition Proposal will constitute a new Acquisition Proposal for the purposes of the Arrangement Agreement, and Yamana will be afforded an additional Superior Proposal Notice Period in connection therewith.

The Monarch Board must reaffirm its recommendation in favour of the Arrangement by news release promptly after (a) the Monarch Board has determined that any Acquisition Proposal is not a Superior Proposal if the Acquisition Proposal has been publicly announced or made; or (b) the Monarch Board makes the determination that an Acquisition Proposal that has been publicly announced or made and which previously constituted a Superior Proposal has ceased to be a Superior Proposal and the Parties have so amended the terms of the Arrangement Agreement and the Arrangement.

Conditions to the Arrangement Becoming Effective

Mutual Conditions

The respective obligations of Monarch and Yamana to complete the Arrangement are subject to the satisfaction of the following conditions on or before the Effective Date, each of which are for the mutual benefit of the Parties and which may be waived, in whole or in part, by the mutual consent of Monarch and Yamana:

- (a) the Arrangement Resolution will have been approved by the Monarch Securityholders at the Meeting in accordance with the Interim Order and applicable Laws;
- (b) each of the Interim Order and Final Order will have been obtained in form and substance satisfactory to each of Monarch and Yamana, each acting reasonably, and will not have been set aside or modified in any manner unacceptable to either Monarch and Yamana, each acting reasonably, on appeal or otherwise;
- (c) the UK Admission will have been received;
- (d) no Law will have been enacted, issued, promulgated, enforced, made, entered, issued or applied and no Proceeding has otherwise been taken under any Laws or by any Governmental Authority (whether temporary, preliminary or permanent) that makes the Arrangement illegal or otherwise directly or indirectly cease trades, enjoins, restrains or otherwise prohibits completion of the Arrangement;
- (e) the Monarch Option Shares, Consideration Shares and SpinCo Consideration Shares to be issued pursuant to the Arrangement will be exempt from the registration requirements of the U.S. Securities Act pursuant to the Section 3(a)(10) Exemption;
- (f) SpinCo will be validly existing under the Laws of Canada, all of the issued and outstanding shares and other ownership interests in SpinCo are legally and beneficially owned by Monarch free and clear of all Liens and the SpinCo Board has adopted all necessary resolutions, and all other necessary corporate action shall have been taken by SpinCo, to permit the consummation of the Arrangement and the issuance of the SpinCo Shares pursuant to the Plan of Arrangement; and
- (g) the Arrangement Agreement will not have been terminated in accordance with its terms.

Conditions Precedent to the Obligations of Monarch

The obligation of Monarch to complete the Arrangement is subject to the satisfaction of the following additional conditions on or before the Effective Date, each of which is for the exclusive benefit of Monarch and which may be waived by Monarch at any time, in whole or in part, in its sole discretion and without prejudice to any other rights that Monarch may have:

- (a) Yamana will have complied in all material respects with its obligations, covenants and agreements in the Arrangement Agreement to be performed and complied with on or before the Effective Date;
- (b) the representations and warranties of Yamana in the Arrangement Agreement will be true and correct as of the Effective Date as if made on and as of such date, except as affected by transactions, changes, conditions, events or circumstances expressly permitted by the Arrangement Agreement or for breaches of representations and warranties which would not prevent or significantly impede or materially delay completion of the Arrangement;
- (c) Monarch will have received a certificate from a senior officer of Yamana dated the Effective Date, certifying that the conditions set out in (a) and (b) above have been satisfied.
- (d) Yamana will have complied with its obligations to pay the Consideration Shares and Cash Consideration and the Depositary will have confirmed receipt thereof;

- (e) Yamana will have delivered evidence satisfactory to Monarch, acting reasonably, of the conditional approval of the listing and posting for trading on the TSX, and approval for listing on the NYSE, in each case of the Consideration Shares, subject only to the satisfaction of the customary listing conditions of the TSX and notice of issuance with respect to the NYSE;
- (f) Yamana will have delivered evidence satisfactory to Monarch, acting reasonably, of application for UK Admission; and
- (g) the Plan of Arrangement will not have been modified or amended in a manner adverse to Monarch, without Monarch's consent.

Conditions Precedent to the Obligations of Yamana

The obligation of Yamana to complete the Arrangement is subject to the satisfaction of the following additional conditions on or before the Effective Date, each of which is for the exclusive benefit of Yamana and which may be waived by Yamana at any time, in whole or in part, in its sole discretion and without prejudice to any other rights that Yamana may have:

- (a) Monarch will have complied in all material respects with its obligations, covenants and agreements in the Arrangement Agreement to be performed and complied with on or before the Effective Date;
- (b) the representations and warranties of Monarch in the Arrangement Agreement will be true and correct (disregarding for this purpose all materiality or Material Adverse Effect qualifications contained therein) as of the Effective Date as if made on and as of such date, except as affected by transactions, changes, conditions, events or circumstances expressly permitted by the Arrangement Agreement or for breaches of representations and warranties which have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or prevent or significantly impede or materially delay the completion of the Arrangement, provided however, that the representations and warrants of Monarch with respect to capitalization and interest in properties will be true in all respects;
- (c) Monarch Shareholders will not have exercised Dissent Rights, or have instituted proceedings to exercise Dissent Rights, in connection with the Arrangement (other than Monarch Shareholders representing not more than 10% of the Monarch Shares then outstanding);
- (d) there will not have occurred, or have been disclosed to the public (if previously undisclosed to the public) a Material Adverse Effect;
- (e) Yamana will have received a certificate from a senior officer of Monarch dated the Effective Date, certifying that the conditions set out in (a) to (d) above have been satisfied.
- (f) each of the officers, directors, employees and consultants of Monarch and its subsidiaries entitled to a severance, termination, change of control or other similar payment, other than those individuals specifically identified by Yamana as being retained by Yamana, will have executed and delivered, in favour of Monarch a full and final release, in form and substance satisfactory to Yamana;
- (g) the Plan of Arrangement will not have been modified or amended in a manner adverse to Yamana, without Yamana's consent;
- (h) there will not be pending or threatened in writing any Proceeding by any Governmental Authority or any other person that is reasonably likely to result in any imposition of limitations on the ability of Yamana to complete the Arrangement or acquire or hold, or exercise full rights of ownership of, any Monarch Shares, including the right to vote such Monarch Shares;
- (i) Monarch will have delivered evidence satisfactory to Yamana, acting reasonably, of the conditional approval of the listing and posting for trading on the TSX (or another recognized stock exchange in Canada) of the

SpinCo Shares, subject only to the satisfaction of the customary listing conditions of the TSX (or another recognized stock exchange in Canada); and

- (j) Monarch will have provided Yamana with favourable title opinions, in form and substance satisfactory to Yamana, acting reasonably, with respect to the Acquisition Properties, dated within one Business Day of the Effective Date.

Termination

The Arrangement Agreement may be terminated prior to the Effective Time in certain circumstances, including:

- (a) by mutual written agreement of Monarch and Yamana;
- (b) by Monarch or Yamana, if
 - (i) the Effective Time does not occur on or before the Outside Date, except that the right to terminate the Arrangement Agreement will not be available to any Party whose failure to fulfil any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been a principal cause of, or resulted in, such failure;
 - (ii) the Meeting is held and the Arrangement Resolution is not approved by the Monarch Securityholders in accordance with applicable Laws and the Interim Order, except that the right to terminate the Arrangement Agreement will not be available to any Party whose failure to fulfil any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been a principal cause of, or resulted in, such failure;
 - (iii) any Law makes the completion of the Arrangement or the transactions contemplated by the Arrangement Agreement illegal or otherwise prohibited, and such Law has become final and non-appealable;
- (c) by Yamana, if
 - (i) the Monarch Board makes a Change of Recommendation;
 - (ii) Monarch breaches its non-solicitation covenants in the Arrangement Agreement in any material respect;
 - (iii) subject to compliance with the notice and cure provisions in the Arrangement Agreement, Monarch breaches any of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, which breach would cause any of the mutual conditions precedent or the conditions precedent to the obligations of Yamana not to be satisfied, provided, however, that any wilful breach will be deemed incapable of being cured and Yamana is not then in breach of the Arrangement Agreement so as to cause any of the mutual conditions precedent or the conditions precedent to the obligations of Monarch not to be satisfied; or
 - (iv) a Material Adverse Effect has occurred and is continuing; and
- (d) by Monarch, if
 - (i) at any time prior to the approval of the Arrangement Resolution, the Monarch Board authorizes Monarch to enter into an Acquisition Agreement with respect to a Superior Proposal, provided that concurrently with such termination, Monarch pays the Termination Fee; or

subject to compliance with the notice and cure provisions in the Arrangement Agreement, Yamana breaches any of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, which breach

would cause any of the mutual conditions precedent or the conditions precedent to the obligations of Monarch not to be satisfied, provided, however, that any wilful breach will be deemed incapable of being cured and Monarch is not then in breach of the Arrangement so as to cause any of the mutual conditions precedent or the conditions precedent to the obligations of Yamana not to be satisfied.

Termination Fee

Yamana is entitled to be paid the Termination Fee upon the occurrence of any of the following events:

- (a) an Acquisition Proposal has been made public or proposed publicly to Monarch or the Monarch Shareholders prior to the Meeting, and (i) the Arrangement Agreement is terminated (A) by either Party, if the Effective Time has not occurred on or before the Outside Date or if the Meeting is held and the Arrangement Resolution is not approved; or (B) by Yamana, if Monarch is in breach of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, and (ii) Monarch has either (X) completed any Acquisition Proposal within 12 months after the Arrangement Agreement is terminated or (Y) entered into an Acquisition Agreement in respect of any Acquisition Proposal or the Monarch Board has recommended any Acquisition Proposal, in each case within 12 months after the Arrangement Agreement is terminated, which Acquisition Proposal is subsequently completed (whether before or after the expiry of such 12-month period), provided, however, that for the purposes of this paragraph, all references to “20%” in the definition of Acquisition Proposal will be changed to “50%”;
- (b) the Arrangement Agreement is terminated by Yamana due to a Change of Recommendation;
- (c) the Arrangement Agreement is terminated by either Monarch or Yamana if the Meeting is held and the Arrangement Resolution is not approved by the Monarch Securityholders, provided that at the time of such termination, Yamana was entitled to terminate the Arrangement Agreement due to a Change of Recommendation;
- (d) the Arrangement Agreement is terminated by Yamana due to Monarch breaching its non-solicitation covenants in the Arrangement Agreement; or
- (e) the Arrangement Agreement is terminated by Monarch at any time prior to approval of the Arrangement Resolution, the Monarch Board authorizes Monarch to enter into an Acquisition Agreement with respect to a Superior Proposal.

Amendments

The Arrangement Agreement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by written agreement of the Parties without, further notice to or authorization on the part of the Monarch Shareholders, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation, term or provision contained in, or in any document delivered pursuant to, the Arrangement Agreement; or
- (c) waive compliance with or modify any of the conditions precedent or any of the covenants in the Arrangement Agreement or waive or modify performance of any of the obligations of the Parties,

provided, however, that no such amendment may reduce or materially affect the consideration to be received by the Monarch Shareholders under the Arrangement without their approval at the Meeting or, following the Meeting, without their approval given in the same manner as required by applicable Laws for the approval of the Arrangement as may be required by the Court.

Support Agreements

The following summarizes material provisions of the Support Agreements. This summary may not contain all information about the Support Agreements that is important to Monarch Securityholders. The rights and obligations of the parties thereto are governed by the express terms and conditions of the Support Agreements and not by this summary or any other information contained in this Circular. Monarch Securityholders are urged to read the forms of Support Agreement carefully in their entirety, as well as this Circular, before making any decisions regarding the Arrangement. This summary is qualified in its entirety by reference to the forms of Support Agreements that have been filed by Monarch under its profile on SEDAR at www.sedar.com.

Pursuant to the Arrangement Agreement, Monarch agreed to deliver the Support Agreements from each of the Locked-Up Shareholders. On November 1, 2020, Yamana entered into the Support Agreements with each of the Locked-Up Shareholders. As at the Record Date, the Locked-Up Shareholders collectively, owned, directly or indirectly, or exercised control or direction over, an aggregate of 8,827,460 Monarch Shares, 8,480,000 Monarch Options and 255,000 Monarch Warrants, representing approximately 5.19% of the votes which may be cast by Monarch Securityholders at the Meeting.

The Support Agreements set forth, among other things, the agreement of the Supporting Shareholders to (i) vote all of their securities entitled to vote in favour of the Arrangement Resolution and any other matter necessary for the consummation of the Arrangement, (ii) vote all of their securities entitled to vote against any Acquisition Proposal, and/or any matter that could reasonably be expected to delay, prevent, impeded or frustrate the successful completion of the Arrangement; (iii) revoke any and all previous proxies granted or VIFs or other voting documents delivered that may conflict or be inconsistent with the Support Agreements; and (iv) not to, directly or indirectly, sell, transfer, assign, grant a participation interest in, option, pledge, hypothecate, grant a security interest in or otherwise convey or encumber (each a “**Transfer**”), or enter into any agreement, option or other arrangement with respect to the Transfer of, any relevant securities to any person, other than pursuant to the Arrangement Agreement. The Locked-Up Shareholders also agreed pursuant to the Support Agreements not to exercise any Dissent Rights or rights of appraisal in connection with the Arrangement.

Pursuant to the Support Agreements, the Locked-Up Shareholders further agreed not to: (i) make, initiate, solicit, promote, entertain or encourage, or take any other action that facilitates the making of an Acquisition Proposal; (ii) enter into or otherwise engage or participate in any discussions or negotiations with any person regarding an Acquisition Proposal; (iii) take no position or remain neutral with respect to, or agree to, accept, approve, endorse or recommend, or propose publicly to agree, accept, approve, endorse or recommend any Acquisition Proposal; (iv) withdraw, amend, modify or qualify, or publicly propose or state an intention to withdraw, amend, modify or qualify support for the Arrangement; (v) accept, enter into or propose publicly to accept or enter into any agreement, understanding or arrangement effecting or related to any Acquisition Proposal; or (vi) make any public announcement or take any other action inconsistent with, or that could reasonably be likely to be regarded as detracting from, the approval of the transactions contemplated by the Arrangement Agreement.

Notwithstanding the above, pursuant to the Support Agreements, Yamana has agreed and acknowledged that each of the Locked-Up Shareholders is bound to their respective Support Agreements solely in their capacity as a shareholder of Monarch and not in their capacity as directors and/or officers of Monarch, and that nothing in the Support Agreements limits or restricts any Locked-Up Shareholder from properly fulfilling their fiduciary duties as a director or officer of Monarch.

The Support Agreements may terminate upon the earliest of: (i) mutual written agreement; (ii) the termination of the Arrangement Agreement in accordance with its terms; or (iii) any representation or warranty of any party not being true and correct in all material respects or any party not complying with its covenants contained in the applicable Support Agreements, in all material respects.

In addition, Yamana entered into Support Agreements with the Supporting Shareholders on similar terms as the Support Agreements entered into with the Locked-Up Shareholders. As at the Record Date, the Supporting Shareholders collectively, owned, directly or indirectly, or exercised control or direction over, an aggregate of 56,364,316 Monarch Shares and 1,500,000 Monarch Warrants, representing approximately 16.91% of the votes which may be cast by Monarch Securityholders at the Meeting.

As of the Record Date, Yamana held 22,250,000 Monarch Shares and 11,125,000 Monarch Warrants, representing approximately 6.93% of the issued and outstanding Monarch Shares on a non-diluted basis and 9.9% on a partially diluted basis. Monarch has been advised that Yamana intends to vote all of its Monarch Shares in favour of the Arrangement Resolution.

RISK FACTORS

In evaluating the Arrangement, Monarch Securityholders should carefully consider the following risk factors relating to the Arrangement. The following risk factors are not an exhaustive list of all risk factors associated with the Arrangement. Additional risks and uncertainties, including those currently unknown or considered immaterial by Monarch, may also adversely affect the Monarch Shares, the Yamana Shares, the SpinCo Shares and/or the businesses of Yamana and SpinCo following the Arrangement. In addition to the risk factors relating to the Arrangement set out below, Monarch Securityholders should also carefully consider the risk factors associated with the businesses of Yamana and SpinCo included in this Circular and in the documents incorporated by reference herein. If any of the risk factors materialize, the expectations, and the predictions based on them, may need to be re-evaluated.

Risk Associated with the Arrangement

The Arrangement is subject to satisfaction or waiver of several conditions and there can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived.

Completion of the Arrangement is subject to satisfaction or waiver of several conditions, including, among other things, the requisite approvals of the Monarch Securityholders, receipt of the Final Order and receipt of Regulatory Approvals. In addition, completion of the Arrangement is conditional on, among other things, no action or circumstance occurring that would result in a Material Adverse Effect.

Certain of the conditions to completion of the Arrangement are outside of the control of Monarch. There can be no certainty, nor can Monarch provide any assurance, that all conditions precedent to the Arrangement will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived and, accordingly, the Arrangement may not be completed. If, for any reason, the Arrangement is not completed or its completion is materially delayed and/or the Arrangement Agreement is terminated, the market price of Monarch Shares may be materially adversely affected. In such events, Monarch's business, financial condition or results of operations could also be subject to various material adverse consequences, including that Monarch would remain liable for costs relating to the Arrangement.

The Arrangement Agreement may be terminated in certain circumstances, including in the event of a change having a Material Adverse Effect on Monarch.

Each of Monarch and Yamana has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can Monarch provide any assurance, that the Arrangement Agreement will not be terminated by either Monarch or Yamana before the completion of the Arrangement. For example, Yamana has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that have a continuing Material Adverse Effect on Monarch. Although a Material Adverse Effect excludes certain events that are beyond the control of Monarch (such as general changes in international economic conditions or changes that affect the global mining industry generally and which do not disproportionately adversely affect Monarch), there is no assurance that a change having a Material Adverse Effect on Monarch will not occur before the Effective Date, in which case Yamana could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

Completion of the Arrangement is uncertain, Monarch has dedicated significant resources to pursuing the Arrangement and is restricted from taking specified actions while the Arrangement is pending.

Monarch is subject to customary non-solicitation provisions under the Arrangement Agreement. The Arrangement Agreement also restricts Monarch from taking specified actions until the Arrangement is completed without the consent of Yamana. These restrictions may prevent Monarch from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement. As completion of the Arrangement is dependent upon satisfaction of certain conditions, the completion of the Arrangement is uncertain. If the Arrangement is not completed for any reason, the announcement of the Arrangement, the dedication of Monarch's resources to the completion thereof and

the restrictions that were imposed on Monarch under the Arrangement Agreement may have an adverse effect on the current future operations, financial condition and prospects of Monarch as a standalone entity.

If the Arrangement is not completed, the market price for the Monarch Shares may decline.

If the Arrangement is not completed, the market price of the Monarch Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Monarch Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

Monarch may be required to pay the Termination Fee.

If the Arrangement is not completed as a result of certain prescribed events, Monarch will be required to pay the Termination Fee to Yamana in connection with the termination of the Arrangement Agreement. If the Termination Fee is ultimately required to be paid to Yamana, the payment of such fee may have an adverse impact on Monarch's financial results. See "*Transaction Agreements — Arrangement Agreement — Termination Fee*".

Monarch and Yamana will incur substantial transaction fees and costs in connection with the proposed Arrangement. If the Arrangement is not completed, the costs may be significant and could have an adverse effect on Monarch.

Monarch and Yamana have incurred and expect to incur additional material non-recurring expenses in connection with the Arrangement and completion of the transactions contemplated by the Arrangement Agreement, including costs relating to obtaining required securityholder and regulatory approvals. If the Arrangement is not completed, Monarch will need to pay certain costs relating to the Arrangement incurred prior to the date the Arrangement was abandoned, such as legal, accounting, financial advisory, proxy solicitation and printing fees. Monarch is liable for its own costs incurred in connection with the Arrangement. Such costs may be significant and could have an adverse effect on Monarch's future results of operations, cash flows and financial condition.

Because the market price of the Yamana Shares and the Monarch Shares will fluctuate and the Exchange Ratio is fixed, there can be no certainty with respect to the market value of the Yamana Shares that Monarch Shareholders will receive for their Monarch Shares under the Arrangement.

The Exchange Ratio is fixed and will not increase or decrease due to fluctuations in the market price of Yamana Shares or Monarch Shares. The market price of the Yamana Shares or Monarch Shares could each fluctuate significantly prior to the Effective Date in response to various factors and events, including, without limitation, the differences between Yamana's and Monarch's actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general economic or market conditions, and broad market fluctuations. The underlying cause of any such change in the market price of the Monarch Shares may constitute a Material Adverse Effect, the occurrence of which could entitle Yamana to terminate the Arrangement Agreement or otherwise entitle either Party to terminate the Arrangement Agreement. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Yamana Shares that Monarch Shareholders may receive on the Effective Date. There can also be no assurance that the trading price of the Yamana Shares will not decline following the completion of the Arrangement. Accordingly, the market value represented by the Exchange Ratio will also vary.

Monarch directors and executive officers may have interests in the Arrangement that are different from those of the Monarch Shareholders.

In considering the recommendation of the Monarch Board to vote in favour of the Arrangement Resolution, Monarch Shareholders should be aware that certain members of the Monarch Board and management team have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Monarch Shareholders generally. See "*The Arrangement — Interests of Certain Persons in the Arrangement*".

Monarch and Yamana may be the targets of legal claims, securities class actions, derivative lawsuits and other claims.

Monarch and Yamana may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Arrangement from being completed. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against Monarch and Yamana seeking to restrain the Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Arrangement, then that injunction may delay or prevent the Arrangement from being completed.

In addition, political and public attitudes towards the Arrangement could result in negative press coverage and other adverse public statements affecting Monarch and Yamana. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims or otherwise negatively impact the ability of Monarch to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a Material Adverse Effect on Monarch's business, financial condition and results of operations.

Monarch has not verified the reliability of the information regarding Yamana included in, or which may have been omitted from, this Circular.

Unless otherwise indicated, all historical information regarding Yamana contained in this Circular has been derived from Yamana's publicly disclosed information or provided by Yamana. Although Monarch has no reason to doubt the accuracy or completeness of such information, any inaccuracy or material omission in Yamana's publicly disclosed information, including the information about or relating to Yamana contained in this Circular, could result in unanticipated liabilities or expenses, increase the cost of integrating the companies or adversely affect Monarch's operational and development plans and Monarch's business, financial condition and results.

Owning Yamana Shares will Expose Monarch Shareholders to Greater Risks from Foreign Operations.

Yamana conducts significant operations outside of Canada and the United States, and as such Yamana's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; hostage taking; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in these jurisdictions may adversely affect Yamana's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Prior to the Effective Date, the Arrangement may divert the attention of Monarch's management, and any such diversion could have an adverse effect on the business of Monarch.

The pending Arrangement could cause the attention of Monarch's management to be diverted from the day-to-day operations of Monarch. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could result in lost opportunities or negative impacts on performance, which could have a material and adverse effect

on the business, financial condition and results of operations or prospects of Monarch if the Arrangement is not completed.

The completion of the Arrangement may be delayed due to health epidemics and other outbreaks of infectious diseases, including, but not limited to COVID-19.

There can be no assurance that completion of the Arrangement will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets. The COVID-19 pandemic could adversely impact the ability of Monarch and Yamana to obtain necessary approvals or delay or hinder the completion of the Arrangement.

Risk Factors Relating to Yamana Following Completion of the Arrangement

The failure to successfully integrate the businesses or to achieve the desired synergies and benefits of the Arrangement could have a Material Adverse Effect on the market price of the Yamana Shares following completion of the Arrangement.

If approved, the Arrangement will involve the integration of companies that previously operated independently. The integration requires the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, the integration process could result in the disruption of existing relationships with suppliers, employees, customers and other constituencies of each Party. There can be no assurance that management will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Arrangement. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Arrangement. The performance of Yamana's operations after completion of the Arrangement could be adversely affected if Yamana cannot retain key employees to assist in the integration and operation of Yamana and Monarch.

Failure by Yamana and/or Monarch to comply with applicable Laws prior to the Arrangement could subject Yamana to penalties and other adverse consequences following completion of the Arrangement.

Yamana and Monarch are subject to the *Canadian Corruption of Foreign Public Officials Act* and Yamana is subject to the United States *Foreign Corrupt Practices Act* and the *Extractive Sector Transparency Measure Act*. The foregoing Laws prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. In addition, such Laws require the maintenance of records relating to transactions and an adequate system of internal controls over accounting. There can be no assurance that either Party's internal control policies and procedures, compliance mechanisms or monitoring programs will protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts or adequately prevent or detect possible violations under applicable anti-bribery and anti-corruption legislation. A failure by Yamana or Monarch to comply with anti-bribery and anti-corruption legislation could result in severe criminal or civil sanctions, and may subject Yamana to other liabilities, including fines, prosecution, potential debarment from public procurement and reputational damage, all of which could have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of Yamana following completion of the Arrangement. Investigations by governmental authorities could have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of Yamana following completion of the Arrangement.

Yamana and Monarch are also subject to a wide variety of Laws relating to the environment, health and safety, taxes, employment, labor standards, money laundering, terrorist financing and other matters in the jurisdictions in which they operate. A failure by either of Yamana or Monarch to comply with any such legislation prior to the Arrangement could result in severe criminal or civil sanctions, and may subject Yamana to other liabilities, including fines, prosecution and reputational damage, all of which could have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of Yamana following completion of the Arrangement. The compliance mechanisms and monitoring programs adopted and implemented by either of Yamana or Monarch prior to the Arrangement may not adequately prevent or detect possible violations of such applicable Laws. Investigations

by governmental authorities could also have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of Yamana following completion of the Arrangement.

Following the Arrangement, the trading price of the Yamana Shares cannot be guaranteed, may be volatile and could be less than, on an adjusted basis, the current trading prices of Yamana and Monarch due to various market-related and other factors.

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Securities of companies in the mining industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the mining industry. There can be no assurance that continuing fluctuations in price will not occur. The market price per Yamana Share is also likely to be affected by changes in Yamana's financial condition or results of operations. Other factors unrelated to the performance of Yamana that may have an effect on the price of Yamana Shares include the following: (a) changes in the market price of the commodities that Yamana and Monarch sell and purchase; (b) current events affecting the economic situation in Canada, Australia and internationally; (c) trends in the global mining industries; (d) regulatory and/or government actions, rulings or policies; (e) changes in financial estimates and recommendations by securities analysts or rating agencies; (f) acquisitions and financings; (g) the economics of current and future projects and operations of Yamana and Monarch; (h) quarterly variations in operating results; (i) the operating and share price performance of other companies, including those that investors may deem comparable; (j) the issuance of additional equity securities by Yamana or Monarch, as applicable, or the perception that such issuance may occur; and (k) purchases or sales of blocks of Yamana Shares or Monarch Shares, as applicable.

Mineral reserve and mineral resource figures pertaining to Yamana's and Monarch's properties are only estimates and are subject to revision based on developing information.

Information pertaining to Yamana's and Monarch's mineral reserves and mineral resources presented in this Circular, or incorporated by reference herein, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Mineral reserves and mineral resources estimates are materially dependent on the prevailing price of minerals and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of minerals or increases in recovery costs, as well as various short-term operating factors, may cause a mining operation to be unprofitable in any particular accounting period.

The estimates of mineral reserves and mineral resources attributable to any specific property of Yamana or Monarch are based on accepted engineering and evaluation principles. The estimated amount of contained minerals in proven mineral reserves and probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

Risk Factors Relating to SpinCo Following Completion of the Arrangement

The SpinCo Shares may not be listed on any stock exchange.

The SpinCo Shares are not currently listed on any stock exchange. Although SpinCo has applied to have the SpinCo Shares listed on the TSX, there is no assurance when, or if, the SpinCo Shares will be listed on the TSX or on any other stock exchange. Listing will be subject to SpinCo meeting the listing requirements and other conditions of the TSX. Listing of the SpinCo Shares on the TSX or on any other exchange is a condition to the completion of the Arrangement in favour of Yamana. Until the SpinCo Shares are listed on a stock exchange, shareholders of SpinCo may not be able to sell their SpinCo Shares. Even if a listing is obtained, ownership of SpinCo Shares will entail a high degree of risk.

Tax risks if the SpinCo Shares are not listed on a designated stock exchange.

If the SpinCo Shares are not listed on a designated stock exchange in Canada before the due date for SpinCo's first income tax return or if SpinCo does not otherwise satisfy the conditions in the Tax Act to be a "public corporation", the SpinCo Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a SpinCo Share in circumstances where the SpinCo Share is not a qualified investment under the Tax Act for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant, holder or subscriber, as the case may be, under the Registered Plan. See "*Eligibility for Investment*".

In addition, if the SpinCo Shares are not listed on a designated stock exchange, such shares would be "taxable Canadian property" to a Non-Resident Holder at the time of disposition if during the 60 month period immediately preceding the disposition such shares derived more than 50% of their fair market value from one or any combination of real or immovable property in Canada, "Canadian resource properties", "timber resource properties" (each as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties. Further, if such shares constitute "taxable Canadian property" but not "treaty protected property" (as defined in the Tax Act) to a Non-Resident Holder, the withholding, reporting, and compliance procedures under section 116 of the Tax Act will apply. See "*Certain Canadian Federal Income Tax Considerations — Holders Not Resident in Canada — Transfer of Monarch Shares and Dispositions of SpinCo Shares and Yamana Shares.*"

The Arrangement may have adverse U.S. federal income tax consequences to U.S. Holders under the PFIC rules.

If it is determined that Monarch, SpinCo or Yamana is a PFIC (or was a PFIC for any year during a U.S. Holder's holding period for Monarch Shares), the Arrangement may result in the application of certain adverse consequences to a U.S. Holder if such U.S. Holder does not have in effect a "qualified electing fund election" ("QEF election") or a "mark-to-market election" with respect to its Monarch, SpinCo or Yamana Shares, as applicable. These adverse tax rules would include, but are not limited to, (i) the gain from the Arrangement being fully taxable at ordinary income rather than capital gain rates and (ii) an interest charge being imposed on the amount of the gain treated as being deferred under the PFIC rules. U.S. Holders are urged to consult their own tax advisors regarding all aspects of the PFIC rules. For a more detailed discussion of the U.S. federal income tax consequences of the Arrangement, including the consequences under the PFIC rules, please see the discussion under "*Certain United States Federal Income Tax Considerations – Passive Foreign Investment Company Considerations*".

It is expected that SpinCo will be a PFIC for the current taxable year and may be a PFIC in subsequent years, which could have adverse U.S. federal income tax consequences for U.S. Holders.

Based on current business plans and financial expectations, it is expected that SpinCo will be a PFIC for the current taxable year and may be a PFIC in subsequent years. If SpinCo is a PFIC for any year during a U.S. Holder's holding period, then such U.S. Holder generally will be subject to a special, adverse tax regime with respect to so-called "excess distributions" received on SpinCo Shares. Gain realized upon a disposition of SpinCo Shares (including upon certain dispositions that would otherwise be tax-free) also will be treated as excess distributions. Further, distributions from a PFIC will not qualify for preferential tax rates as "qualified dividends". For a more detailed discussion of the U.S. federal income tax consequences of the Arrangement, including the consequences under the PFIC rules, please see the discussion under "*Certain United States Federal Income Tax Considerations – Passive Foreign Investment Company Considerations*".

A U.S. Holder of PFIC shares may make a QEF election or a "mark-to-market" election with respect to such shares to mitigate the adverse tax rules that apply to PFICs. This election may accelerate the recognition of taxable income and may result in the recognition of ordinary income. A U.S. Holder who makes a QEF election generally must report on a current basis its pro rata share of net capital gain and ordinary earnings for any year in which SpinCo is a PFIC, whether or not SpinCo distributes any amounts to its shareholders. A U.S. Holder may make a QEF election only if the U.S. Holder receives certain information (known as a "PFIC annual information statement") from SpinCo annually. There can be no assurance that SpinCo, if it were classified as a PFIC, will supply the information and statements necessary for the U.S. Holder to make and maintain a valid QEF election. A U.S. Holder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of SpinCo Shares over the U.S. Holder's basis therein.

DISSENT RIGHTS

Section 190 of the CBCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides Registered Holders with Dissent Rights in respect of the Arrangement Resolution, pursuant to Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order. Any Registered Holders who dissents from the Arrangement Resolution in compliance with Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, will be entitled, in the event the Arrangement becomes effective, to be paid by Monarch the fair value of the Monarch Shares held by such Dissenting Monarch Shareholder determined as of the close of business on the day before the Arrangement Resolution is adopted. Monarch Shareholders are cautioned that fair value could be determined to be less than the value of the consideration payable pursuant to the terms of the Arrangement and that the proceeds of disposition received by a Dissenting Monarch Shareholder may be treated in a different, and potentially more adverse, manner under Canadian and United States federal income tax Laws than had such Monarch Shareholder exchanged his or her Monarch Shares for the Consideration pursuant to the Arrangement and that an investment banking opinion as to the fairness, from a financial point of view, of the consideration payable in a sale transaction, such as the Arrangement, is not an opinion as to, and does not otherwise address, “fair value” under Section 190 of the CBCA. In addition, any judicial determination of fair value will result in delay of receipt by a Dissenting Monarch Shareholder of consideration for such Dissenting Monarch Shareholder’s Dissent Shares.

The following description of the Dissent Rights is not a comprehensive statement of the procedures to be followed by a Dissenting Monarch Shareholder who seeks payment of the fair value of its Monarch Shares from Monarch and is qualified in its entirety by the reference to the full text of section 190 of the CBCA, which is attached to this Circular as Appendix K, as modified by the Plan of Arrangement and the Interim Order, which is attached to this Circular as Appendix D and the Plan of Arrangement, which is attached to this Circular as Appendix B. A Dissenting Monarch Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order. Failure to comply strictly with the provisions of section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder. The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

Pursuant to the Interim Order, each Registered Holder may exercise Dissent Rights under section 190 of the CBCA as modified by the Plan of Arrangement and the Interim Order. Monarch Shareholders who duly exercise such Dissent Rights and who:

- (a) are ultimately entitled to be paid fair value for their Monarch Shares in respect of which they have exercised Dissent Rights (i) will be deemed to have not participated in the Arrangement, (ii) will be entitled to be paid the fair value of such Monarch Shares by Monarch, and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holder not exercised their Dissent Rights in respect of such Monarch Shares; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for the Monarch Shares in respect of which they have exercised Dissent Rights (i) will be deemed to have participated in the Arrangement on the same basis as a Monarch Shareholder that has not exercised Dissent Rights, and (ii) will be entitled to receive only the Consideration in the same matter as such non-dissenting Monarch Shareholder.

In no circumstances will Monarch, SpinCo, or Yamana or any other person be required to recognize (a) a person exercising Dissent Rights unless such person is the registered holder of such Monarch Shares in respect of which Dissent Rights are sought to be exercised; and (b) Dissenting Monarch Shareholders as Monarch Shareholders after the surrender of the Dissent Shares to Monarch as set forth in Section 3.2 of the Plan of Arrangement, and each Dissenting Monarch Shareholder will cease to be entitled to the rights of a Monarch Shareholder in respect of the Dissent Shares and the central securities register of Monarch will be amended to reflect that such former holder is no longer the holder of such Monarch Shares.

For greater certainty, none of the following will be entitled to exercise Dissent Rights: (i) Monarch Optionholders; (ii) Monarch Warrantheolders; and (iii) Monarch Shareholders who vote or have instructed a proxyholder to vote their Monarch Shares in favour of the Arrangement Resolution (but only in respect of such Monarch Shares).

A Non-Registered Holder who wishes to dissent with respect to its Monarch Shares should be aware that only Registered Holders are entitled to exercise Dissent Rights. A Registered Holder such as an intermediary who holds Monarch Shares as nominee for Non-Registered Holders, some of whom wish to dissent, will exercise Dissent Rights on behalf of such Non-Registered Holders with respect to the Monarch Shares held for such Non-Registered Holders. In such case, the Notice of Dissent should set forth the number of Monarch Shares it covers.

A Registered Holder who wishes to dissent must send a written Notice of Dissent in compliance with section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, objecting to the Arrangement Resolution to Jean-Marc Lacoste, President and Chief Executive of Monarch, 70, Dalhousie Street, Suite 300, Québec, Québec G1K 4B2, email jm.lacoste@monarquesgold.com which must be received at or before 5:00 p.m. (Eastern time) on December 28, 2020 or, in the case of any adjourned or postponed Meeting, by no later than 5:00 p.m. (Eastern time) on the second Business Day immediately preceding the day of the adjourned or postponed Meeting and must otherwise strictly comply with the procedures described in this Circular. These Dissent Procedures are different than the statutory dissent procedures of the CBCA which would permit a notice of objection to be provided at or prior to the Meeting. **Failure to strictly comply with the Dissent Procedures will result in loss of the Dissent Right.**

The delivery of a Notice of Dissent does not deprive such Registered Holder of its right to vote at the Meeting; however, the CBCA provides, in effect, that a Registered Holder who has submitted a Notice of Dissent and who votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Monarch Shareholder with respect to the Monarch Shares voted in favour of the Arrangement Resolution. A vote against the Arrangement Resolution, whether virtually or by proxy, does not constitute a Notice of Dissent. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Arrangement Resolution does not constitute a Notice of Dissent in respect of the Arrangement Resolution, but any such proxy granted by a Monarch Shareholder who intends to dissent should be validly revoked in order to prevent the proxy holder from voting such Monarch Shares in favour of the Arrangement Resolution. A vote in favour of the Arrangement Resolution, whether virtually or by proxy, may constitute a loss of a Monarch Shareholder's right to dissent. However, a Monarch Shareholder may vote as a proxy holder for another Monarch Shareholder whose proxy requires an affirmative vote, without affecting the right of the proxy holder to exercise Dissent Rights in respect of the proxy holder's Monarch Shares.

If the Arrangement Resolution is passed at the Meeting, Monarch must then, within 10 days after the Monarch Shareholders adopt the Arrangement Resolution, deliver to each Dissenting Monarch Shareholder, a notice stating that the Arrangement Resolution has been adopted and, subject to receipt of the Final Order and satisfaction of the other conditions set out in the Arrangement Agreement, Monarch intends to complete the Arrangement, and advising the Dissenting Monarch Shareholder that if the Dissenting Monarch Shareholder intends to proceed with the exercise of its Dissent Rights, it must deliver to Monarch, within 20 days of the receipt of the notice of adoption from Monarch, a demand for payment of fair value containing the information specified in section 190(7) of the CBCA. Not later than 30 days after sending the demand for payment of fair value, the Dissenting Monarch Shareholder must send the certificates representing Monarch Shares in respect of which Dissent Rights have been exercised to Monarch.

A Dissenting Monarch Shareholder delivering such demand for payment may not withdraw from its dissent and will be deemed to have ceased to be a holder of all of its Dissent Shares at the Effective Time. Monarch will, not later than seven days after the later of the day the Effective Date or the day Monarch received the demand for payment, send to each Dissenting Monarch Shareholder a written offer to pay the fair market value for the Dissent Shares, accompanied by a statement showing how the fair value was determined. Either Monarch or a Dissenting Monarch Shareholder may apply to the Court if no agreement on the terms of the sale of Dissent Shares has been reached, and the Court may determine the fair value for the Dissent Shares. If a Dissenting Monarch Shareholder fails to strictly comply with the requirements of the Dissent Rights set out in section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, it will lose its Dissent Rights, Monarch will return to the Dissenting Monarch Shareholder the certificates representing the Dissent Shares that were delivered to Monarch, if any, and if the Arrangement is completed, that Dissenting Monarch Shareholder will be deemed to have participated in the Arrangement on the same terms as a non-dissenting Monarch Shareholder. If a Dissenting Monarch Shareholder strictly complies with the foregoing requirements of the Dissent Rights, but the Arrangement is not completed, Monarch will return to the

Dissenting Monarch Shareholder the certificates delivered to Monarch by the Dissenting Monarch Shareholder, if any.

It is suggested that any Monarch Shareholder wishing to avail himself or herself of Dissent Rights seek his or her own legal advice as failure to comply strictly with the applicable provisions of the CBCA, as modified by the Plan of Arrangement and the Interim Order, may prejudice the availability of Dissent Rights. Dissenting Monarch Shareholders should note that the exercise of Dissent Rights can be a complex, time-consuming and expensive process.

The Arrangement Agreement provides that it is a condition to the obligations of Yamana that holders of not more than 10% of the outstanding Monarch Shares will have exercised Dissent Rights, or have instituted proceedings to exercise Dissent Rights, in connection with the Arrangement. See *“Transaction Agreements – Arrangement Agreement – Conditions to the Arrangement Becoming Effective”*.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Monarch Optionholders

The following is, as of the date of the Circular, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act in respect of the Arrangement that will generally apply to a Monarch Optionholder (i) who at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act, (ii) disposes of his or her Monarch Options pursuant to the Arrangement, (iii) who is a current or former employee or director of Monarch, (iv) who received his or her Monarch Options in respect of, in the course of, or by virtue of, such employment or in consideration for the services performed by him or her as a director of Monarch, (v) who dealt at arm’s length with Monarch at the time the Monarch Options were granted, and (vi) whose Monarch Options are “in-the-money” at the Effective Time. This summary does not describe the tax consequences of an exercise or other disposition of Monarch Options by a Monarch Optionholder prior to the Effective Time, and Monarch Optionholders who have, or wish to, exercise or dispose of their Monarch Options prior to the Effective Time should consult their own tax advisors. Monarch Optionholders to whom this summary does not apply should consult their own advisors with respect to the consequences of transactions contemplated herein.

Disposition of Monarch Options for Monarch Option Shares

The terms of the Arrangement provide that Monarch Options that are not exercised prior to the Effective Time and are “in-the-money” will be surrendered and disposed of to Monarch for payment in the form of Monarch Option Shares having a fair market value equal to the relevant In-The-Money Amount, net of applicable source deductions. A Monarch Optionholder will be required to include in computing his or her income from employment for the year a taxable benefit equal to such In-The-Money Amount. A Monarch Optionholder may, in computing taxable income for the taxation year in which such taxable benefit is included in income, deduct one-half of the amount of the taxable benefit, provided the Monarch Optionholder deals at arm’s length with Monarch and certain other conditions are met. Monarch Optionholders should consult their own tax advisors in this regard.

The cost to a Monarch Optionholder of Monarch Shares acquired for the relevant In-The-Money Amount will be equal to the fair market value of the Monarch Shares received and will generally be averaged with the adjusted cost base of any other Monarch Shares held at that time by the Monarch Optionholder as capital property for purposes of determining the Monarch Optionholder’s adjusted cost base of such Monarch Shares.

The disposition of Monarch Shares pursuant to the Arrangement is discussed below under *“Certain Canadian Federal Income Tax Considerations – Shareholders”*.

Monarch Shareholders

The following is, as of the date of this Circular, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to Monarch Shareholders who hold their Monarch Shares, and will hold their Monarch Class A Shares, if applicable, SpinCo Shares and Yamana Shares acquired pursuant to the Arrangement as capital property and who, at all relevant times, deal at arm’s length with Yamana, Monarch and SpinCo and are not “affiliated” (within the meaning of the Tax Act) with Yamana, Monarch or SpinCo (a “**Holder**”). Generally, Monarch

Shares, Monarch Class A Shares, SpinCo Shares and Yamana Shares will be considered to be capital property to the holder thereof provided that they are not held in the course of carrying on a business of buying and selling securities and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

Certain Monarch Shareholders who might not otherwise be considered to hold their Monarch Shares, Monarch Class A Shares, SpinCo Shares and Yamana Shares as capital property may, in certain circumstances, be entitled to have such shares and any other “Canadian security” (as defined in the Tax Act), owned by such holders in the taxation year in which the election is made, and in all subsequent taxation years, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Monarch Shareholders should consult their own tax advisors regarding the potential application and consequences of making this election in their particular circumstances.

This summary does not address the Canadian federal income tax considerations applicable to holders of Monarch Certificated Warrants or Monarch Indenture Warrants pursuant to the Arrangement. Such holders should consult their own tax advisors.

This summary is not applicable to a Holder: (i) that is a partnership or trust; (ii) that is a “financial institution” (as defined in the Tax Act for the purposes of the mark-to-market rules), (iii) an interest in which is a “tax shelter investment” (as defined in the Tax Act), (iv) that is a “specified financial institution” (as defined in the Tax Act), (v) that has elected to determine its “Canadian tax results” in a currency other than Canadian currency pursuant to the “functional currency reporting” rules in the Tax Act, (vi) that has received, or receives, Monarch Shares upon exercise of an employee stock option prior to the Effective Time, (vii) that has entered into, or enters into, a “derivative forward agreement” (as defined in the Tax Act) with respect to its Monarch Shares, Monarch Class A Shares, SpinCo Shares or Yamana Shares, (viii) that will receive dividends on its SpinCo Shares or Yamana Shares under or as part of a “dividend rental arrangement” (as defined in the Tax Act) or (ix) that is a corporation resident in Canada (for the purpose of the Tax Act) or a corporation that does not deal at arm’s length (for purposes of the Tax Act) with a corporation resident in Canada, and that is or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Yamana Shares or SpinCo Shares, controlled by a non-resident person, or group of non-resident persons not dealing with each other at arm’s length for the purposes of the foreign affiliate dumping rules in Section 212.3 of the Tax Act. Such holders should consult their own tax advisors.

This summary is based upon the provisions of the Tax Act in force on the date of this Circular and the current published administrative policies and assessing practices of the CRA publicly available prior to the date of this Circular. Subject to the immediately following sentence, this summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Circular (the “**Proposed Amendments**”) and assumes that the Proposed Amendments will be enacted in their current form. There can be no assurance that any of the Proposed Amendments will be implemented in their current form or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in the administrative or assessing practices and policies of the CRA. In addition, this summary does not take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed in this Circular.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to a Holder in respect of the transactions described herein. The income or other tax consequences will vary depending on the particular circumstances of the Holder, including the province or provinces in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Holder. Moreover, no advance income tax ruling has been applied for or obtained from the CRA to confirm the tax consequences of any of the transactions described herein. Holders should consult their own legal and tax advisors for advice with respect to the tax consequences of the transactions described in this Circular based on their particular circumstances.

Holders Resident in Canada

The following portion of this summary is generally applicable to a Holder who at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada (a “**Resident Holder**”). The following portion of this summary, other than the portion under the heading “*Holders Resident in Canada – Dissenting Monarch Shareholders*”, applies to Resident Holders that are not Dissenting Monarch Shareholders.

Exchange of Monarch Shares for Monarch Class A Shares and SpinCo Shares

Under the Arrangement, Resident Holders will initially exchange their Monarch Shares for Monarch Class A Shares and SpinCo Shares.

The exchange of Monarch Shares for Monarch Class A Shares and SpinCo Shares is intended to generally qualify as a tax-deferred reorganization pursuant to section 86 of the Tax Act. Provided the fair market value of all of the SpinCo Shares distributed to Monarch Shareholders on the exchange of the Monarch Shares pursuant to the Arrangement does not exceed the aggregate “paid-up capital” (as determined for purposes of the Tax Act) of all of the issued and outstanding Monarch Shares immediately before the exchange, the distribution of the SpinCo Shares to Resident Holders should not give rise to any deemed dividend to Resident Holders. Monarch expects that the fair market value of all of the SpinCo Shares at the time of such exchange will be less than the aggregate “paid-up capital” (as determined for purposes of the Tax Act) of all of the issued and outstanding Monarch Shares immediately before such exchange. If the fair market value of the SpinCo Shares distributed to Monarch Shareholders on the exchange of the Monarch Shares pursuant to the Arrangement were to exceed the aggregate “paid-up capital” (as determined for purposes of the Tax Act) of all of the issued and outstanding Monarch Shares immediately before the exchange, Monarch would be deemed to have paid a dividend on the exchanged Monarch Shares equal to the amount of such excess, in which case each Resident Holder would be deemed to have received a pro rata portion of such dividend based on the proportion of Monarch Shares held by such Resident Holder immediately before the exchange. See “*Dividends on Monarch Shares, Yamana Shares or SpinCo Shares*” below for a general description of the treatment of dividends under the Tax Act including amounts deemed under the Tax Act to be received as dividends.

Provided that the fair market value of the SpinCo Shares distributed to Monarch Shareholders under the Arrangement does not exceed the aggregate paid-up capital of all of the issued and outstanding Monarch Shares immediately before the exchange, a Resident Holder whose Monarch Shares are exchanged for Monarch Class A Shares and SpinCo Shares will be deemed to have disposed of its Monarch Shares for proceeds of disposition equal to the greater of (i) the adjusted cost base to the Resident Holder of its Monarch Shares immediately before the exchange, and (ii) the fair market value at the time of the exchange of the SpinCo Shares received by such Resident Holder. Consequently, a Resident Holder will only realize a capital gain on the exchange if, and to the extent that, the fair market value of the SpinCo Shares received by such Resident Holder on the exchange exceeds the adjusted cost base of such Resident Holder's Monarch Shares immediately before the exchange. See “*Taxation of Capital Gains and Capital Losses*” below for a general description of the treatment of capital gains and capital losses under the Tax Act.

The aggregate cost to a Resident Holder of Monarch Class A Shares acquired on the exchange of its Monarch Shares will be equal to the amount, if any, by which the Resident Holder's adjusted cost base of its Monarch Shares immediately before the exchange exceeds the fair market value, at the time of the exchange, of the SpinCo Shares acquired by such Resident Holder on the exchange. The aggregate cost to a Resident Holder of SpinCo Shares acquired on the exchange of its Monarch Shares will be equal to the fair market value, at the time of the exchange, of the SpinCo Shares acquired by such Resident Holder on the exchange.

Exchange of Monarch Class A Shares – No Section 85 Election

A Resident Holder who exchanges Monarch Class A Shares pursuant to the Arrangement (other than an Eligible Holder who makes a Section 85 Election with Yamana as discussed below under “*Exchange of Monarch Class A Shares – With Section 85 Election*”) will be considered to have disposed of the Monarch Class A Shares for proceeds of disposition equal to the aggregate of the Cash Consideration and fair market value of the Yamana Shares received. As a result, the Resident Holder will generally realize a capital gain (or capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Monarch

Class A Shares immediately before the exchange. See “*Taxation of Capital Gains and Capital Losses*” below for a general discussion of the treatment of capital gains and capital losses under the Tax Act.

The cost to the Resident Holder of any Yamana Shares acquired on such exchange will be equal to the fair market value of the Yamana Shares at the time of the exchange. The Resident Holder’s adjusted cost base of the Yamana Shares so acquired will be determined by averaging such cost with the adjusted cost base to the Resident Holder of all Yamana Shares owned by the Resident Holder as capital property immediately prior to such exchange.

Exchange of Monarch Class A Shares – With Section 85 Election

A Resident Holder who is an Eligible Holder and who receives Yamana Shares pursuant to the Arrangement may obtain a full or partial tax deferral in respect of the exchange of the Monarch Class A Shares by filing with the CRA (and, where applicable, with a provincial tax authority) a joint election made by the Eligible Holder and Yamana under subsection 85(1) of the Tax Act (or, in the case of a partnership, under subsection 85(2) of the Tax Act, provided all members of the partnership jointly elect) and the corresponding provisions of any applicable provincial tax legislation (collectively, a “**Section 85 Election**”).

The availability and extent of the deferral will depend on the Elected Amount (as defined below) designated and the Resident Holder’s adjusted cost base of Monarch Class A Shares at the time of the exchange and is subject to the Section 85 Election requirements being met under the Tax Act.

An Eligible Holder making a Section 85 Election will be required to designate an amount (the “**Elected Amount**”) in the election form that will be deemed to be the proceeds of disposition of the Eligible Holder’s Monarch Class A Shares at the time of exchange. In general, the Elected Amount may not be:

- (a) less than the aggregate of the Cash Consideration received by the Eligible Holder on the exchange;
- (b) less than the lesser of (i) the Eligible Holder’s adjusted cost base of the Monarch Class A Shares at the time of the exchange, and (ii) the fair market value of the Monarch Class A Shares, at the time of the exchange; or
- (c) greater than the fair market value of Monarch Class A Shares at the time of the exchange.

The Canadian federal income tax treatment to an Eligible Holder who properly makes a valid Section 85 Election generally will be as follows:

- (a) the Eligible Holder will be deemed to have disposed of the Eligible Holder’s Monarch Class A Shares for proceeds of disposition equal to the Elected Amount;
- (b) the Eligible Holder will not realize any capital gain or capital loss if the Elected Amount (subject to the limitations described above and set out in the Tax Act) equals the aggregate of the Eligible Holder’s adjusted cost base of Monarch Class A Shares at the time of the exchange and any reasonable costs of disposition;
- (c) to the extent that the Elected Amount exceeds the aggregate of the adjusted cost base of the Monarch Class A Shares to the Eligible Holder and any reasonable costs of disposition, the Eligible Holder will in general realize a capital gain; and
- (d) the aggregate cost to the Eligible Holder of Yamana Shares acquired as a result of the exchange will be equal to the amount, if any, by which the Elected Amount exceeds the Cash Consideration received by the Eligible Holder as a result of the exchange, and such cost will be averaged with the adjusted cost base of any other Yamana Shares held by the Eligible Holder immediately prior to the exchange as capital property for the purpose of determining thereafter the adjusted cost base of each Yamana Share held by such Eligible Holder.

Yamana has agreed to make a Section 85 Election with an Eligible Holder at the amount determined by such Eligible Holder, subject to the limitations set out in subsection 85(1) or subsection 85(2), as applicable, of the Tax Act (or any applicable provincial tax legislation).

Procedure for Making a Section 85 Election

A tax instruction letter containing detailed requirements to make a Section 85 Election, will be promptly delivered by email to an Eligible Holder that checks the appropriate box on the Letter of Transmittal, and provides an email address in the appropriate place in the Letter of Transmittal. The Eligible Holder will have the option of submitting the necessary information electronically (through a secure e-mail address) or manually (by mailing a manually completed worksheet to an appointed representative, as directed by Yamana) within 60 days after the Effective Date. A special purpose email address will be made available to Eligible Holders to assist with this process.

To make a Section 85 Election, an Eligible Holder will need to provide certain information to Yamana that must include the number of Monarch Class A Shares transferred, the adjusted cost base of the Monarch Class A Shares transferred, the applicable agreed amounts for the purposes of such election and other information necessary to complete the Section 85 Election. Yamana shall, within 60 days after receiving the electronic or manual submission, and subject to such submission being correct and complete and complying with requirements imposed under the Tax Act (and any applicable provincial income tax law), sign and return a copy of a completed Section 85 Election to the Eligible Holder for filing with the CRA (or the applicable provincial tax authority).

Each Eligible Holder is solely responsible for ensuring the Section 85 Election is completed correctly and filed with the CRA (and any applicable provincial tax authority) by the required deadline. In its sole discretion, Yamana or any successor corporation may choose to sign and return a joint election form received by it more than 60 days following the Effective Date but will have no obligation to do so.

Neither Monarch, Yamana nor any successor corporation shall be responsible for the proper completion and filing of any joint election form, except for the obligation by Yamana to sign and return the duly completed joint election forms which are received within 60 days of the Effective Date. The Eligible Holder will be solely responsible for the payment of any taxes, interest or penalties arising as a result of the failure of an Eligible Holder to properly or timely complete and file such joint election forms in the form and manner prescribed by the Tax Act (or any applicable provincial legislation).

Any Eligible Holder who does not ensure that information necessary to make a Section 85 Election has been received by Yamana within the time period noted above may not be able to benefit from the tax deferral provisions in subsections 85(1) or 85(2) of the Tax Act (or the corresponding provisions of any applicable provincial tax legislation). Accordingly, all Eligible Holders who wish to make a Section 85 Election with Yamana should give their immediate attention to this matter.

Dispositions of Yamana Shares or SpinCo Shares

The disposition or deemed disposition of Yamana Shares or SpinCo Shares by a Resident Holder will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of those shares immediately before the disposition. See “*Taxation of Capital Gains and Capital Losses*” below for a general description of the treatment of capital gains and capital losses under the Tax Act.

Dividends on Monarch Shares, Yamana Shares or SpinCo Shares

In the case of a Resident Holder who is an individual, dividends received or deemed to be received on their Monarch Shares, Yamana Shares or SpinCo Shares will be included in computing the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated as “eligible dividends”, as defined in the Tax Act.

In the case of a Resident Holder that is a corporation, dividends received or deemed to be received on their Monarch Shares, Yamana Shares or SpinCo Shares will be included in computing its income, but generally the corporation will be entitled to deduct an equivalent amount in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain.

Certain corporations, including a “private corporation” or a “subject corporation” (as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on Monarch Shares, SpinCo Shares or Yamana Shares to the extent that such dividends are deductible in computing taxable income. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year will be included in the Resident Holder’s income for the year. Generally, one-half of any capital loss (an “**allowable capital loss**”) realized by a Resident Holder in a year must be deducted against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other years, to the extent and in the circumstances specified in the Tax Act.

If the Resident Holder is a corporation, the amount of any capital loss arising from a disposition or deemed disposition of a Monarch Share, Monarch Class A Share, SpinCo Share, or Yamana Share may be reduced by the amount of certain dividends received or deemed to be received by the corporation on such share, to the extent and under circumstances specified by the Tax Act. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns such shares, or where a partnership or trust of which the corporation is a member or beneficiary is a member of a partnership or a beneficiary of a trust that owns such shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax on its “aggregate investment income” (as defined in the Tax Act), including amounts in respect of net taxable capital gains.

Minimum Tax

Capital gains realized, and dividends received or deemed to be received by individuals and certain trusts may give rise to minimum tax under the Tax Act.

Dissenting Monarch Shareholders

A Resident Holder who, as a result of the exercise of Dissent Rights is entitled to be paid the fair value of its Monarch Shares by Monarch will be deemed to have received a dividend equal to the amount, if any, by which the payment received (other than any portion of the payment that is interest awarded by a court) exceeds the “paid-up capital” (determined for purposes of the Tax Act) attributable to such shares immediately before their surrender to Monarch pursuant to the Arrangement. The amount of any such deemed dividend will be included in calculating such dissenting Resident Holder’s income for the taxation year and will reduce the proceeds of disposition for purposes of computing the dissenting Resident Holder’s capital gain or capital loss on the disposition of its Monarch Share.

The dissenting Resident Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Resident Holder’s Monarch Shares.

Any such deemed dividend received, or capital gain or capital loss realized by a dissenting Resident Holder will be treated in the same manner as described above under the headings “*Dividends on Monarch Shares, Yamana Shares or SpinCo Shares*” and “*Taxation of Capital Gains and Capital Losses*”.

Interest (if any) awarded by a court to a dissenting Resident Holder will be included in the holder's income for purposes of the Tax Act.

Holders Not Resident in Canada

The following portion of this summary is generally applicable to a Holder who, for purposes of the Tax Act, (i) has not been and will not be resident or deemed to be resident in Canada at any time while they have held or will hold Monarch Shares, SpinCo Shares or Yamana Shares, (ii) does not use or hold and is not deemed to use or hold its Monarch Shares, SpinCo Shares or Yamana Shares in, or in the course of carrying on, a business in Canada, (iii) is not a person who carries on an insurance business in Canada and elsewhere, and (iv) is not an "authorized foreign bank" (as defined in the Tax Act) (a "**Non-Resident Holder**"). The following portion of this summary, other than the portion under the heading "*Holders Not Resident in Canada – Dissenting Monarch Shareholders*", applies to Non-Resident Holders that are not Dissenting Monarch Shareholders.

Transfer of Monarch Shares and Dispositions of SpinCo Shares and Yamana Shares

A Non-Resident Holder will not be subject to tax under the Tax Act on the transfer of Monarch Shares to Yamana or on the subsequent disposition of SpinCo Shares or Yamana Shares, unless the Monarch Shares, SpinCo Shares or Yamana Shares, as the case may be, constitute "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Generally, a Monarch Share, SpinCo Share and Yamana Share will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition provided that the particular share is listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX), unless at any time during the 60-month period immediately preceding the disposition,

- (a) 25% or more of the issued shares of any class of the capital stock of the issuer were owned by or belonged to any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and
- (b) more than 50% of the fair market value of the applicable shares was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists.

In certain circumstances, a Non-Resident Holder's shares may also be deemed to be taxable Canadian property for purposes of the Tax Act. Non-Resident Holders should consult with their own tax advisors as to whether Monarch Shares, SpinCo Shares or Yamana Shares constitute taxable Canadian property having regard to their particular circumstances.

Even if the Monarch Shares, SpinCo Shares or Yamana Shares are taxable Canadian property to a Non-Resident Holder, any taxable capital gain resulting from the disposition of such shares will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the shares constitute "treaty-protected property" as defined in the Tax Act. The Monarch Shares, SpinCo Shares or Yamana Shares owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of the applicable shares would be exempt from tax under the Tax Act pursuant to the provisions of an applicable income tax treaty.

A Non-Resident Holder whose Monarch Shares, SpinCo Shares or Yamana Shares, as the case may be, are "taxable Canadian property" and are not "treaty protected property" and who does not make a Section 85 Election as discussed below, will generally have the same tax considerations as those described above under the following sections of "*Holders Resident in Canada*" – "*Dispositions of Yamana Shares or SpinCo Shares*" and "*Taxation of Capital Gains and Capital Losses*".

Non-Resident Holders should consult with their own tax advisors for advice having regard to their particular circumstances.

A Non-Resident Holder that is an Eligible Holder and who transfers their Monarch Shares to Yamana pursuant to the Arrangement in exchange for Yamana Shares, the Cash Consideration and SpinCo Shares may make a Section 85 Election jointly with Yamana to obtain a full or partial deferral of the capital gain that would otherwise be taxable and realized on the exchange depending on the Elected Amount and the Eligible Holder's adjusted cost base of the Monarch Shares at the time of the exchange. The procedure for making a Section 85 Election under the Tax Act is generally described above for a Resident Holder under the heading "*Holders Resident in Canada – Procedure for Making a Section 85 Election*". In the case of Non-Resident Holders, the references in those sections to "Monarch Class A Shares" should be read as "Monarch Shares".

Non-Resident Holders should consult their own advisors with respect to the availability and advisability of making a Section 85 Election.

Dividends on Monarch Shares, SpinCo Shares or Yamana Shares

Dividends paid, deemed to be paid, or credited on Monarch Shares, SpinCo Shares or Yamana Shares to a Non-Resident Holder will be subject to non-resident withholding tax under the Tax Act at a rate of 25% of the gross amount of the dividend unless the rate is reduced by an applicable income tax treaty or convention. Under the Canada-United States Tax Convention (1980), as amended (the "**Canada-US Tax Treaty**"), the withholding rate on any such dividend beneficially owned by a Non-Resident Holder that is a resident of the United States for purposes of the Canada-US Tax Treaty and entitled to the full benefits of such treaty is generally reduced to 15% (or 5% in the case of a company beneficially owning at least 10% of the applicable company's voting shares).

Dissenting Monarch Shareholders

A Non-Resident Holder who, as a result of the exercise of Dissent Rights, is entitled to be paid the fair value of its Monarch Shares by Monarch will be deemed to have received a dividend equal to the amount, if any, by which such payment (other than any portion of the payment that is interest awarded by a court) exceeds the "paid-up capital" (determined for purposes of the Tax Act) attributable to such shares immediately before their surrender to Monarch pursuant to the Arrangement. Any such deemed dividend will be subject to non-resident withholding tax under the Tax Act at a rate of 25% of the gross amount of the dividend, unless the rate is reduced by an applicable income tax treaty or convention.

A dissenting Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of its Monarch Shares unless such Monarch Shares are "taxable Canadian property" of the Non-Resident Holder and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. See discussion above under the heading "*Holders Not Resident in Canada – Transfer of Monarch Shares and Dispositions of SpinCo Shares and Yamana Shares*". For purposes of computing the amount of any capital gain on the disposition of the dissenting Non-Resident Holder's Monarch Shares, the Non-Resident Holder's proceeds of disposition will be reduced by the amount of any deemed dividend received by the Non-Resident Holder as described in the immediately preceding paragraph. The dissenting Non-Resident Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Non-Resident Holder's Monarch Shares.

Any such deemed dividend received or capital gain realized by a dissenting Non-Resident Holder will be treated in the same manner as described above under the headings "*Holders Not Resident in Canada – Dividends on Monarch Shares, Yamana Shares or SpinCo Shares*" and "*Holders Not Resident in Canada – Transfer of Monarch Shares and Dispositions of SpinCo Shares and Yamana Shares*".

Interest (if any) awarded by a court to a dissenting Non-Resident Holder generally should not be subject to withholding tax under the Tax Act.

ELIGIBILITY FOR INVESTMENT

At the Effective Time the Monarch Class A Shares and the Yamana Shares will be a qualified investment under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, tax-free savings accounts (collectively, “**Registered Plans**”) and deferred profit sharing plans (“**DPSPs**”) (all as defined in the Tax Act), provided that in the case of the Monarch Class A Shares, Monarch is a “public corporation”, as defined in the Tax Act and in the case of the Yamana Shares, such shares are listed on a “designated stock exchange” as defined in the Tax Act (which includes the TSX) or Yamana is a “public corporation”, as defined in the Tax Act.

At the Effective Time the SpinCo Shares will be a qualified investment under the Tax Act and the regulations thereunder for Registered Plans and DPSPs provided that the SpinCo Shares are then listed on a “designated stock exchange” as defined in the Tax Act (which includes the TSX) or SpinCo is a “public corporation”, as defined in the Tax Act. If the SpinCo Shares are not listed on a designated stock exchange at the Effective Time, SpinCo may qualify as a “public corporation” provided that on or before the filing due date of SpinCo’s Canadian federal income tax return for its first taxation year, SpinCo’s Shares are listed on a “designated stock exchange” (as defined in the Tax Act) and SpinCo makes an election to be deemed to have been a public corporation from its date of incorporation. The making of such an election would have the retroactive effect of making the SpinCo Shares a qualified investment for Registered Plans and DPSPs on the Effective Date. SpinCo intends to list its shares and make such election. Notwithstanding the foregoing, if the Monarch Class A Shares, Yamana Shares or SpinCo Shares are a “prohibited investment” within the meaning of the Tax Act for a Registered Plan, the annuitant, holder or subscriber, as the case may be (the “**Controlling Individual**”), of the Registered Plan, will be subject to a penalty tax under the Tax Act. The Monarch Class A Shares, Yamana Shares and SpinCo Shares generally will not be a prohibited investment for a Registered Plan provided the Controlling Individual of the Registered Plan: (i) deals at arm’s length with Monarch, Yamana and SpinCo, as the case may be, for the purposes of the Tax Act; and (ii) does not have a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in Monarch, Yamana or SpinCo, as the case may be. In addition, the Yamana Shares and SpinCo Shares will not be a prohibited investment if such shares are “excluded property” (as defined in the Tax Act for purposes of the prohibited investment rules) for the Registered Plan.

Monarch Shareholders who intend to hold Yamana Shares or SpinCo Shares in a Registered Plan or DPSP should consult their own tax advisors in regard to the application of these rules in their particular circumstances.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal income tax considerations relating to the Arrangement and to the receipt of the Consideration by U.S. Holders (as defined below) pursuant to the Arrangement and to the ownership and disposition of the Yamana Shares or SpinCo Shares (together with the Yamana Shares, the “**New Shares**”) by such U.S. Holders following the Arrangement, in each case where such U.S. Holders hold the Monarch Shares and the New Shares as capital assets within the meaning of section 1221 of the Code. This discussion is based upon the provisions of the Code, Treasury regulations promulgated under the Code (the “**Treasury Regulations**”), administrative rulings and court decisions in effect on the date hereof, all of which are subject to change, possibly with retroactive effect, and to differing interpretations. No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or is expected to be obtained, regarding the U.S. federal income tax consequences described herein. This discussion is not binding on the IRS or any court, and there can be no assurance that the IRS will not take a contrary position or that such a position would not be sustained by a court. This discussion also assumes that the Arrangement is carried out as described in this Circular and that the Arrangement is not integrated with any other transaction for U.S. federal income tax purposes.

The discussion does not constitute tax advice and does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law including:

- banks, thrifts, mutual funds and other financial institutions;
- regulated investment companies;

- traders in securities that elect to apply a mark-to-market method of accounting;
- broker-dealers;
- tax-exempt organizations and pension funds;
- insurance companies;
- dealers or brokers in securities or foreign currency;
- individual retirement and other deferred accounts;
- U.S. Holders whose functional currency is not the U.S. dollar;
- U.S. expatriates;
- U.S. Holders that own, directly, indirectly or constructively, five percent (5%) or more of the total voting power or total value of all of the outstanding stock of Monarch (or who, following the Arrangement, will own, directly, indirectly or constructively, five percent (5%) or more of the total voting power or total value of all of the outstanding stock of Yamana or SpinCo);
- PFICs or “controlled foreign corporations”;
- persons liable for the alternative minimum tax;
- holders that hold their shares as part of a straddle, hedging, conversion, constructive sale or other risk reduction transaction;
- holders other than U.S. Holders;
- partnerships or other pass-through entities; and
- holders, such as Monarch Optionholders, who received their shares through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan.

This discussion does not address any non-income tax considerations or any non-U.S., state or local tax consequences. For purposes of this discussion, a U.S. Holder means a beneficial owner of Monarch Shares at the time of the Arrangement or, as the context may require, a beneficial owner of the New Shares received as a result of the Arrangement, that is:

- an individual who is a citizen or resident of the United States, as determined for U.S. federal income tax purposes;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership, including for this purpose any entity or arrangement that is treated as a partnership or other “pass-through” entity for U.S. federal income tax purposes, holds Monarch Shares at the time of the Arrangement or New

Shares after the Arrangement, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. A shareholder that is a partnership and a partner (or other owner) in such partnership is urged to consult its tax advisors about the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of New Shares.

INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSIDERATIONS RELATING TO THE RECEIPT, OWNERSHIP AND DISPOSITION OF NEW SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS.

U.S. Federal Income Tax Consequences of the Receipt of the Consideration Pursuant to the Arrangement

Generally. The U.S. federal income tax consequences to a U.S. Holder of the receipt of the Consideration pursuant to the Arrangement depend in part on whether the exchange of Monarch Shares for the Consideration is characterized as a single, integrated transaction in which the Monarch Shares are disposed of for New Shares and cash or whether the distribution of SpinCo Shares to Monarch Shareholders is treated as separate from the subsequent sale of Monarch Shares to Yamana for Yamana Shares and cash. Monarch and Yamana intend, and for purposes of the following discussion it is assumed, except as otherwise noted below, to take the position that the receipt of Consideration in exchange for Monarch Shares will be characterized as a single, integrated transaction that qualifies as an exchange for U.S. federal income tax purposes.

If the receipt of Consideration in exchange for Monarch Shares is considered a single, integrated transaction, a U.S. Holder would generally recognize gain or loss equal to the difference, if any, between (i) the sum of the U.S. dollar value of the cash and the fair market value of the New Shares received and (ii) such U.S. Holder's adjusted tax basis in the Monarch Shares surrendered in exchange therefor. Subject to the PFIC rules discussed below, such recognized gain or loss would generally constitute capital gain or loss from sources within the United States, and would constitute long-term capital gain or loss if the U.S. Holder's holding period for the Monarch Shares exchanged is greater than one year as of the date of the exchange. Certain non-corporate U.S. Holders are entitled to preferential tax rates with respect to net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. A U.S. Holder's basis in each of the Yamana Shares and the SpinCo Shares will be equal to the fair market value of such shares. The holding period in such shares will begin on the day after the date of the Arrangement.

There can be no assurance, however, that that IRS would not challenge this treatment as a single transaction and seek to treat the distribution of SpinCo Shares to Monarch Shareholders as separate from the subsequent sale of Monarch Shares for Yamana Shares and cash. If such challenge were sustained, a U.S. Holder generally would be required to treat the fair market values of the SpinCo Shares as a distribution by Monarch. A U.S. Holder would include such distribution in gross income as a dividend (without reduction for any non-U.S. tax withheld from the distribution) to the extent of Monarch's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). If such distribution to such U.S. Holder exceeds Monarch's current and accumulated earnings and profits, then to the extent of the excess, such distribution generally will be treated first as a non-taxable return of capital with respect to a Monarch Share to the extent of such U.S. Holder's adjusted tax basis in each such Monarch Share and then as gain from the sale or exchange of each such Monarch Share. Such gain generally will be long-term capital gain if such U.S. Holder held such Monarch Shares for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. Monarch has not maintained and does not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder will generally be required to include the entire amount of any such distribution in income as a dividend. A U.S. Holder's basis in the SpinCo Shares received as a dividend would be equal to the fair market value of the SpinCo Shares on the date of distribution. The holding period in such shares would begin on the day after the date of the Arrangement.

A distribution to a U.S. Holder with respect to a Monarch Share that is treated as a dividend generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as "passive category income" or, in the case of some U.S. Holders, as "general category income." Distributions treated as dividends that are received by certain non-corporate U.S. persons (including individuals) in respect of stock of a non-U.S. corporation (other than a corporation that is, in the taxable year during which the distributions are made or the preceding taxable year, a PFIC) that is a "qualified foreign corporation" generally qualify for a preferential tax

rate (plus, potentially, additional tax discussed below under “— *Net Investment Income Taxes*”) so long as certain holding period and other requirements are met. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the U.S. Treaty meets these requirements and Monarch believes that it is eligible for the benefits of the U.S. Treaty. However, Monarch would not be a qualified foreign corporation and the preferential tax rate would not be available if it is a PFIC for the current year or the preceding taxable year. Monarch believes that (i) it is not likely to be treated as a PFIC for the prior taxable years and (ii) it is likely to be treated as a PFIC for the current taxable year. See “— *Passive Foreign Investment Company Considerations*”. If a dividend qualifies for the preferential rates, special rules apply for purposes of determining the recipient’s investment income (which may limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer is urged to consult its own tax advisor regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Further, if the receipt of the Consideration is not treated as a single transaction and the transaction is treated as a distribution of SpinCo Shares to Monarch Shareholders followed by a subsequent sale of Monarch Shares for Yamana Shares and cash, a U.S. Holder would generally recognize gain or loss equal to the difference, if any, between (i) the sum of the U.S. dollar value of the cash and the fair market value of the Yamana Shares received and (ii) such U.S. Holder’s adjusted tax basis in the Monarch Shares surrendered in exchange therefor. Subject to the PFIC rules discussed below, such recognized gain or loss would generally constitute capital gain or loss from sources within the United States, and would constitute long-term capital gain or loss if the U.S. Holder’s holding period for the Monarch Shares exchanged is greater than one year as of the date of the exchange. Certain non-corporate U.S. Holders are entitled to preferential tax rates as net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. A U.S. Holder’s basis in the Yamana Shares would be equal to the fair market value of the Yamana Shares. The holding period in such shares would begin on the day after the date of the Arrangement.

Payments Related to Dissent Rights

For U.S. federal income tax purposes, U.S. Holders that receive a payment for their Dissent Shares pursuant to the exercise of Dissent Rights will generally recognize gain or loss equal to the difference, if any, between (i) the sum of the U.S. dollar value of the cash received and (ii) such U.S. Holder’s adjusted tax basis in the Dissent Shares surrendered in exchange therefor. Subject to the rules relating to the receipt of foreign currency described below, such recognized gain or loss would generally constitute capital gain or loss from sources within the United States, and would constitute long-term capital gain or loss if the U.S. Holder’s holding period for the Dissent Shares exchanged is greater than one year as of the date of the exchange. Certain non-corporate U.S. Holders are entitled to preferential tax rates with respect to net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

U.S. Federal Income Tax Consequences of the Ownership of the New Shares

Distributions with Respect to New Shares

General Taxation of Distributions. Subject to the rules discussed below under “— *Passive Foreign Investment Company Considerations*”, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to the New Shares generally will be required to include the amount of such distribution in gross income as a dividend (without reduction for any non-U.S. tax withheld from the distribution) to the extent of the current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) of Yamana or SpinCo, as applicable. If such distribution to such U.S. Holder exceeds the current and accumulated earnings and profits of Yamana or SpinCo, as applicable, then to the extent of the excess, such distribution generally will be treated first as a non-taxable return of capital with respect to the SpinCo Share or Yamana Share, as the case may be, to the extent of such U.S. Holder’s adjusted tax basis in each such New Share and then as gain from the sale or exchange of SpinCo Share or Yamana Share, as the case may be. Neither Yamana nor SpinCo has maintained or plans to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder will generally be required to include the entire amount of any such distribution in income as a dividend.

A distribution to a U.S. Holder with respect to a New Share that is treated as a dividend generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as “passive category income” or, in the case of some U.S. Holders, as “general category income.” Distributions treated as dividends that are received by certain non-corporate U.S. persons (including individuals) in respect of stock of a non-U.S. corporation (other than a corporation that is, in the taxable year during which the distributions are made or the preceding taxable year, a PFIC) that is a “qualified foreign corporation” generally qualify for a preferential tax rate (plus, potentially, additional tax discussed below under “— *Net Investment Income Taxes*”) so long as certain holding period and other requirements are met. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the current income tax treaty between the United States and Canada, the U.S. Treaty, meets these requirements, and Yamana and SpinCo believe that it is eligible for the benefits of the U.S. Treaty. However, Yamana or SpinCo, as applicable, would not be a qualified foreign corporation if it is a PFIC for the year of the distribution or the preceding taxable year. See “— *Passive Foreign Investment Company Considerations*”. Yamana does not believe that it was a PFIC for its previous taxable year, and does not expect that it will be a PFIC for the current taxable year. SpinCo expects that it will be a PFIC for the current taxable year. However, there can be no assurance that the IRS will not challenge the determination made by Yamana or SpinCo concerning its PFIC status or that Yamana or SpinCo will not be a PFIC for the current taxable year or any subsequent taxable year. If Yamana or SpinCo is not a qualified foreign corporation, a dividend paid by Yamana or SpinCo to a U.S. Holder, including a U.S. Holder that is an individual, estate or trust, generally will be taxed at ordinary income rates. If a dividend qualifies for the preferential rates (applicable to a dividend from a qualified foreign corporation), special rules apply for purposes of determining the recipient’s investment income (which may limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer is urged to consult its own tax advisor regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Disposition of New Shares

Upon a sale, exchange or other disposition of a New Share, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on such sale, exchange or other disposition and such U.S. Holder’s tax basis in such New Share. Subject to the PFIC rules (see “— *Passive Foreign Investment Company Considerations*”), such gain or loss generally will be long-term capital gain or loss from sources within the United States if such U.S. Holder’s holding period for such New Share was more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

Receipt of Foreign Currency

A U.S. Holder that receives non-U.S. currency (i) in the Arrangement, (ii) as payments in respect of Dissent Shares, (iii) from the sale, exchange or other disposition of a Monarch Share or New Share, or (iv) as a distribution, including a constructive distribution, with respect to the New Shares, generally will realize an amount equal to the U.S. dollar value of such non-U.S. currency translated at the spot rate of exchange on the settlement date of such distribution, sale, exchange or other disposition if (i) such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Monarch Share or New Share (as applicable) is treated as being “traded on an established securities market” for this purpose or (ii) such settlement date is also the date of such sale, exchange or other disposition. Such U.S. Holder generally will have a basis in such non-U.S. currency equal to the U.S. dollar value of such non-U.S. currency on the settlement or distribution date. Any gain or loss on a conversion or other disposition of such non-U.S. currency by such U.S. Holder generally will be treated as ordinary income or loss from sources within the United States. Each U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal income tax consequences of receiving non-U.S. currency in cases not described in the first sentence of this paragraph.

Passive Foreign Investment Company Considerations

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. In general, a corporation organized outside the United States is treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is “passive income” or (ii) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from commodities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a non-U.S. corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) generally is taken into account.

Based on their projected income, assets and activities, we believe that (i) Monarch is not likely to be treated as a PFIC for the prior taxable years, (ii) Monarch is likely to be treated as a PFIC for the current taxable year, (iii) SpinCo is likely to be treated as a PFIC for the current taxable year and may be treated as a PFIC for future years, and (iv) Yamana is not likely to be treated as a PFIC for the current taxable year and prior taxable years. In the event either Monarch, SpinCo or Yamana is classified as a PFIC in any year during which a U.S. Holder holds shares of Monarch, SpinCo or Yamana, as applicable, it generally will continue to be treated as a PFIC as to such shareholder in all succeeding years, regardless of whether it continues to meet the income or asset test discussed above. U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of holding an interest in a PFIC.

Distributions

In the event either Monarch, SpinCo or Yamana is treated as a PFIC with respect to a U.S. Holder, distributions by Monarch, SpinCo or Yamana (as applicable) to such U.S. Holder (without reduction for any non-U.S. tax withheld from the distribution), including the distribution of New Shares pursuant to the Arrangement, generally will be treated as an “excess distribution” to the extent the distribution does not exceed its ratable portion of the “total excess distribution” to such U.S. Holder for such taxable year. This determination is made with respect to a U.S. Holder on a share-by-share basis, except that shares with the same holding period may be aggregated. The total excess distribution to a U.S. Holder with respect to a share for a taxable year is generally the excess of (i) all distributions to such U.S. Holder on such share during such taxable year over (ii) 125 percent of the average annual distributions to such U.S. Holder on such share during the preceding three taxable years (or shorter period during which such U.S. Holder held such share). The total excess distribution with respect to a share is deemed to be zero for the taxable year in which such U.S. Holder’s holding period for such share begins. The tax payable by a U.S. Holder on an excess distribution with respect to a share will be determined by allocating such excess distribution ratably to each day of such U.S. Holder’s holding period for such share. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for the taxable year of such distribution. The amount of excess distribution allocated to any other period included in such U.S. Holder’s holding period cannot be offset by any net operating losses of such U.S. Holder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax so derived for each such period. Furthermore, only the portion of any excess distribution includable in income in the taxable year of such distribution will be taken into account in determining the amount of the total excess distribution for any subsequent taxable year.

To the extent a distribution to a U.S. Holder is not treated as an excess distribution, such U.S. Holder generally will be required to include the amount of such distribution in gross income as a dividend pursuant to the rules discussed above under “*U.S. Federal Income Tax Consequences of the Ownership of the New Shares — Distributions with Respect to New Shares.*”

Sale, Exchange or Other Disposition of Shares

A U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition (including, without limitation, gain with respect to certain transfers upon death, gifts and pledges) of a New Share in an amount equal to the difference, if any, between the amount realized on the sale, exchange or other disposition and such U.S. Holder’s adjusted tax basis in such share. Any such gain generally will be treated as an excess distribution subject to the tax consequences relating to an excess distribution described above under “— *Passive*

Foreign Investment Company Considerations — Distributions.” Any such loss generally will be treated as a capital loss. The deductibility of capital losses is subject to limitations.

Qualified Electing Fund Election

In the event that SpinCo or Yamana were to be treated as a PFIC, the tax consequences described above in “—*Passive Foreign Investment Company Considerations—Distributions*” and “—*Passive Foreign Investment Company Considerations—Sale, Exchange or Other Disposition of Shares*” relating to distributions from a PFIC and gain on the disposition of shares in a PFIC generally would not apply if a QEF election were available and a U.S. Holder had validly made such an election as of the beginning of such U.S. Holder’s holding period for the New Shares, as the case may be. In such event, such U.S. Holder generally would be required to include in income on a current basis such U.S. Holder’s pro rata share of SpinCo or Yamana’s ordinary income and net capital gains in each taxable year in which SpinCo or Yamana was a PFIC. A QEF election would be available to a U.S. Holder, however, only if SpinCo or Yamana provides such U.S. Holder with certain information. There can be no assurance that SpinCo or Yamana will provide U.S. Holders with the required information and U.S. Holders should assume that a QEF election will not be available.

Mark-To-Market Election

The tax consequences relating to excess distributions described above under “—*Passive Foreign Investment Company Considerations — Distributions*” and “—*Passive Foreign Investment Company Considerations — Sale, Exchange or Other Disposition of Shares*” generally will not apply if a “mark-to-market” election is available and a U.S. Holder validly has made such an election as of the beginning of such U.S. Holder’s holding period for a New Share, as the case may be. If such election is made, distributions with respect to a New Share and gain on the sale, exchange or other disposition of a New Share will not be treated as excess distributions to such U.S. Holder. Instead, such U.S. Holder generally would be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, such New Share at the end of each taxable year in which SpinCo or Yamana, as applicable, is a PFIC as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis in such New Share. In addition, any gain from a sale, exchange or other disposition of a Monarch Share or New Share in a taxable year in which SpinCo or Yamana, as applicable, is a PFIC would be treated as ordinary income, and any loss from such sale, exchange or other disposition would be treated first as ordinary loss to the extent of any net mark-to-market gains previously included in income and thereafter as capital loss. A mark-to-market election is available to a U.S. Holder with respect to a New Share only if such share is considered to be “marketable stock”. Generally, stock is considered to be marketable stock if it is “regularly traded” on a “qualified exchange” within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. The Yamana Shares are listed on the TSX (symbol: YRI). The SpinCo Shares are not currently listed. While it is intended that an application to list the SpinCo Shares will be made, there can be no assurance as to if, or when, the SpinCo Shares will be listed or traded. Each U.S. Holder is urged to consult its own tax advisor with respect to the availability and tax consequences of a mark-to-market election with respect to a New Share.

Net Investment Income Taxes

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their “net investment income,” which may include all or a portion of their income arising from a distribution with respect to Monarch Shares or New Shares and net gain from the sale, exchange or other disposition of Monarch Shares or New Shares. Each U.S. Holder is urged to consult its own tax advisor regarding the application of this tax.

Backup Withholding and Information Reporting

Under certain circumstances, information reporting and/or backup withholding may apply to U.S. Holders with respect to the Consideration received pursuant to the Arrangement or distributions made on or proceeds from the sale,

exchange or other disposition of New Shares, unless an applicable exemption is satisfied. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

A U.S. Holder who owns New Shares during any taxable year in which SpinCo or Yamana, as applicable is treated as a PFIC with respect to such U.S. Holder generally would be required to file statements with respect to such shares on IRS Form 8621 with their U.S. federal income tax returns. Failure to file such statements may result in the extension of the period of limitations on assessment and collection of U.S. federal income taxes.

Disclosure Requirements for Specified Foreign Financial Assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Department guidance) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include New Shares if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders are urged to consult their own tax advisors as to the possible application to them of this filing requirement.

INFORMATION CONCERNING MONARCH

Monarch is an emerging gold mining company focused on pursuing growth through its large portfolio of quality projects in the Abitibi mining camp, in Québec, Canada. Monarch currently owns over 315 km² of gold properties in the Abitibi mining camp in Québec, Canada, including the Wasamac Property, the Beaufor Mine, the Croinor Property, the McKenzie Property, the Swanson Property and the Camflo Property. Monarch also owns the fully permitted and functional the Camflo mill and the Beacon Mill.

Additional information with respect to the business and affairs of Monarch is attached to this Circular as Appendix E.

INFORMATION CONCERNING SPINCO

SpinCo was incorporated under the CBCA on November 11, 2020 for the purposes of the Arrangement. SpinCo is currently a private company and a wholly-owned subsidiary of Monarch. The head and registered offices of SpinCo are located at 68, Avenue de la Gare, Suite 205, Saint-Sauveur, Québec, J0R 1R0. Pursuant to the Arrangement, Monarch will sell and transfer the SpinCo Assets, including the SpinCo Properties, to SpinCo and assign to SpinCo all of the SpinCo Liabilities. Upon completion of the Arrangement, SpinCo expects that it will become a reporting issuer in British Columbia, Alberta, Ontario and Québec.

The SpinCo Shares are not currently listed. SpinCo has applied to have the SpinCo Shares listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved SpinCo's listing application and there is no assurance that the TSX will approve the listing of the SpinCo Shares. There can be no assurance as to if, or when, the SpinCo Shares will be listed or traded on any stock exchange.

Information relating to SpinCo following completion of the Arrangement is contained in Appendix F to this Circular.

INFORMATION CONCERNING YAMANA

Yamana is a Canadian-based precious metals producer with significant gold and silver production, development stage properties, exploration properties, and land positions throughout the Americas, including Canada, Brazil, Chile and Argentina. Yamana plans to continue to build on this base through expansion and optimization initiatives at existing operating mines, development of new mines, the advancement of its exploration properties and, at times, by targeting other consolidation opportunities with a primary focus in the Americas.

Additional information with respect to the business and affairs of Yamana is attached to this Circular as Appendix I.

INFORMATION CONCERNING YAMANA FOLLOWING THE ARRANGEMENT

On completion of the Arrangement, Yamana will own all of the outstanding shares of Monarch and, pursuant to the Arrangement, Monarch Shareholders will own 100% of SpinCo, the entity resulting from the Spin-Out of certain of Monarch's mineral properties and other assets and liabilities not acquired by Yamana. After completion of the Arrangement, the business and operations of Monarch will be managed and operated as a subsidiary of Yamana.

Information relating to the business and affairs of Yamana following the Arrangement is attached to this Circular as Appendix J.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

The Arrangement Resolution

At the Meeting, Monarch Shareholders will be asked to consider and, if thought advisable, to pass, the Arrangement Resolution to approve the Arrangement under the CBCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which has been filed by Monarch under its profile on SEDAR at www.sedar.com, and the Plan of Arrangement, which is attached as Schedule A to the Arrangement Agreement and is also attached to this Circular as Appendix B.

In order for the Arrangement to become effective, the Arrangement Resolution must be approved by (i) at least 66⅔% of the votes cast by the Monarch Securityholders present virtually or represented by proxy and entitled to vote at the Meeting, voting together as a single class, and (ii) a simple majority of the votes cast by Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding Monarch Shares held by any "interested party", any "related party" of an "interested party" or any "joint actor" of the foregoing (as such terms are defined under MI 61-101), which also satisfies the TSX requirement that the Arrangement be approved by the Monarch Shareholders without taking into account the votes of Monarch Optionholders. A copy of the Arrangement Resolution is set out in Appendix A of this Circular.

Unless otherwise directed, it is management's intention to vote **FOR** the Arrangement Resolution. If you return a signed proxy form or VIF and do not specify how you want your Monarch Shares and/or Monarch Options, as applicable, voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the Arrangement Resolution.

Presentation of Financial Statements

The Monarch Annual Financial Statements and the external auditors' report thereon will be presented to the Meeting but will not be subject to a vote. The Monarch Annual Financial Statements and Monarch Annual MD&A have been filed by Monarch under its profile on SEDAR at www.sedar.com.

Election of Directors

Monarch's articles of incorporation specify that the Monarch Board may be composed of a minimum of three and a maximum of twelve directors. Monarch's general by-laws specify that the directors are elected by the shareholders at the annual meeting of Monarch and remain in office, regardless of whether their term has expired, until they resign, are removed or replaced, or until they become disqualified. A director whose term of office ends may be re-elected.

Monarch's management deems that all proposed nominees will be capable of acting as directors. Monarch's management has not been notified of any proposed nominee who no longer wishes to serve in this capacity. The proxy form or the VIF does not grant a discretionary power to elect a director of Monarch unless a proposed nominee is designated in the Circular.

A majority vote policy is in effect for purposes of electing director nominees. Please refer to the Circular under the heading "*The Monarch Board*" for additional information on the majority vote policy in effect.

The Monarch Board proposes the following six individuals as nominees for directorship. Each of the nominees proposed by the Monarch Board is presently a director of Monarch:

1. Michel Bouchard
2. Yohann Bouchard
3. Guylaine Daigle
4. Laurie Gaborit
5. Jean-Marc Lacoste
6. Christian Pichette

Please refer to the Circular under the heading “*The Monarch Board*” for additional biographical notes of each of the proposed nominees.

Unless otherwise directed, it is management’s intention to vote **FOR** the election of the proposed nominees for directorship listed above. If you return a signed proxy form or VIF and do not specify how you want your Monarch Shares voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the election of the proposed nominees for directorship listed above.

Appointment of External Auditors and Authorization Given to Directors to Set Their Compensation

The external auditors of Monarch are KPMG. KPMG has been the external auditors of Monarch since November 22, 2011.

The Audit Committee and the Monarch Board recommend that the mandate of KPMG be renewed until Monarch’s next annual meeting of shareholders or until a successor is nominated. To be validly adopted, the resolution concerning the renewal of KPMG’s mandate must be adopted by a simple majority of the votes cast by the Monarch Shareholders present virtually or represented by proxy and entitled to vote at the Meeting. The proxy form or the VIF does not grant a discretionary power to appoint the auditor of Monarch.

The approval of the Monarch Shareholders will also authorize the Monarch Board to set the external auditors’ compensation.

Unless otherwise directed, it is management’s intention to vote **FOR** the appointment of KPMG as external auditors of Monarch until the adjournment of the next annual meeting of shareholders and authorize the directors to set their compensation. If you return a signed proxy form or VIF and do not specify how you want your Monarch Shares voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the appointment of KPMG as external auditors of Monarch until the adjournment of the next annual meeting of shareholders and authorize the directors to set their compensation.

THE MONARCH BOARD

Biographical Notes

The following table provides certain information concerning each proposed nominee for directorship: name, province, country of residence, position held, as the case may be, with Monarch. It also provides the position held with the committees of the Monarch Board, the month and year in which the nominee became a director of Monarch, the nominee’s current principal occupation, business or employment and the number of securities of each class of voting securities of Monarch that the nominee beneficially owns, controls or directs, directly or indirectly, as at the date of the Circular.

Jean-Marc Lacoste
Québec, Canada

President and Chief Executive Officer of Monarch since October 2012

Director of Monarch since April 2012

Not Independent

Number of Monarch Shares held:
4,210,000⁽¹⁾

Mr. Jean-Marc Lacoste earned his Bachelor's degree in Economics from McGill University in Montréal. In 1993, Mr. Lacoste started a career in finance at the Montréal Stock Exchange where he worked for National Bank Financial and, subsequently, Merrill Lynch Canada Inc. In 2000 he left Montréal for Toronto to join Northland Power Inc., a wind power energy corporation, as Vice President of Acquisitions. He returned to Montréal in 2002 where he joined the boards of a few public and private corporations. From October 2004 to December 2010, he played a major role in Golden Goose Resources Inc., a corporation principally engaged in mineral exploration and acquisition, where he became President, Chief Executive Officer and Chairman of the board of directors. Since December 2010, he is the President of Lacoste International Inc., a holding corporation specialized in the management of corporations.

Michel Bouchard
Québec, Canada

Director of Monarch since December 2012

Chairman of the Monarch Board since July 2016

Member of the Audit Committee

Independent

Number of Monarch Shares held: 702,060⁽²⁾

Mr. Michel Bouchard, has been involved in the exploration, development and production aspects of the mining sector for over 30 years, bringing a wealth of knowledge and experience. He has been a Director and Senior Officer of several public corporations in the mining sector. Mr. Bouchard was President and Chief Executive Officer of Clifton Star Resources Inc., a corporation specialized in the mining sector, from November 2011 to April 2016, Vice President, Exploration and Development for North American Palladium Ltd., a corporation specialized in the mining sector, from May 2009 to November 2011, and President and Chief Executive Officer of Cadiscor Resources Inc., a mining corporation, from May 2006 to May 2009. Mr. Bouchard is also a Director of Cartier Resources Inc. since May 2013, a Director of Sirios Resources Inc. since September 2016, and was director of First Mining Gold Corp. (previously known as First Mining Finance Corp.) from April 2016 to April 2020, all corporations specialized in the mining sector. Mr. Bouchard is a geologist and earned a Bachelor's and Master's degree in Geology from the Université de Montréal and a Master of Business Administration (MBA) from HEC Montréal.

Yohann Bouchard,
Ontario, Canada

Director of Monarch since June 2020

Independent

Number of Monarch Shares held: 210,000

Mr. Bouchard is currently Senior Vice President, Operations of Yamana Gold Inc. He joined Yamana in October 2014. Mr. Bouchard has obtained progressively more technical and operating experience over a 24-year career in mining with a particular focus on underground and open pit operations. Prior to joining Yamana, Mr. Bouchard occupied key operating and technical positions with Primero Mining Corporation, IAMGOLD Corporation, Breakwater Resources Ltd. and Cambior Inc. Mr. Bouchard oversaw precious and base metal operations in the Americas and in Africa. Mr. Bouchard holds a Bachelor of Mining Engineering degree from École Polytechnique of Montréal. He is registered as a professional engineer with Professional Engineers Ontario.

Guylaine Daigle
Québec, Canada

Director of Monarch since April 2020

Chair of the Audit Committee

Member of the Compensation Committee

Independent

Number of Monarch Shares held: Nil

Guylaine Daigle has over 25 years of experience in financial management, primarily in the mining industry. Ms. Daigle has been Vice President, Finance and a shareholder of G4 Drilling Ltd. (diamond drilling company), CCL Drilling (1993) Inc. (drilling and blasting company) and G4 R&D Inc. (machine shop specializing in drilling and forestry) since December 2006. Previously, she held financial management positions with Deloitte, Ross-Finlay 2000 Inc. and McWatters Mines Inc. as well as auditor positions with accounting firms. Ms. Daigle is a shareholder and director of the Val-d'Or Foreurs and a director of *Fondation du Centre Hospitalier de Val-d'Or*. She is a chartered accountant and a member of the *Ordre des comptables professionnels agréés du Québec* (Québec CPA Order) and holds a Bachelor's degree in Accounting Sciences from the *Université du Québec en Abitibi-Témiscamingue*.

Laurie Gaborit
Ontario, Canada

Director of Monarch since October 2019

Independent

Number of Monarch Shares held: 124,400

Ms. Laurie Gaborit holds a Bachelor of Science in geology (Hons.) from Concordia University. She has over 20 years of investor relations and corporate communications experience in the mining industry. Ms. Gaborit started her career as a geologist for Aur Resources, Cambior, and Romarco Minerals. From 1999 to 2005 she held the position of Manager, Investor Relations for Rio Narcea Gold Mines and from 2005 to 2006 she held the

position of Vice President, Investor Relations and Corporate Secretary for High River Gold Mines. From 2006 to 2007 she provided strategic investor relations and corporate communications services to a number of junior mining companies. In January 2007, Ms. Gaborit joined Detour Gold Corporation a mid-tier Canadian gold mining company where she held the position of Vice President, Investor Relations from January 2017 to June 2019. As a key member of Detour Gold's management team, she participated in Monarch's initial public offering in 2007 and its transformation from exploration company to intermediate gold producer within a seven-year period, during which time Detour Gold's market capitalization increased from \$120 million to over \$3 billion. Ms. Gaborit is on the Board of the non-profit Canadian Investor Relations Institute (CIRI). In 2019, she was the recipient of the CIRI Belle Mulligan Award for Leadership in Investor Relations. Since December 2019, she is a member of the Board of Directors Gold Terra Resources Corp.

Christian Pichette
Québec, Canada

Director of Monarch since June 2014

*President of the Human Resources,
Compensation and Nomination Committee*

Member of the Audit Committee

Independent

Number of Monarch Shares held: 650,000

Mr. Christian Pichette earned a Bachelor's degree in Mining Engineering and a master's degree in Rock Mechanics from École Polytechnique de Montréal. He has over 35 years of experience in the mining industry. Mr. Pichette has held managerial positions with many Canadian corporations, including Placer Dome Inc., TVX Gold Inc., Barrick Gold Corporation and Cambior Inc. From September 2005 to May 2012, he held the position of Vice President Operations at Richmond Mines Inc., a mining exploration and production corporation, and from May 2012 to December 2013, he served as Executive Vice President and Chief Operating Officer of this corporation. Since May 2015, Mr. Pichette has also been a member of the Investment Committee - Mining Sector of the *Fonds de solidarité des travailleurs du Québec* (F.T.Q.).

Notes:

- (1) Mr. Lacoste personally holds 460,000 Monarch Shares and 3,750,000 Monarch Shares through a registered retirement savings plan.
- (2) Mr. Michel Bouchard personally holds 609,060 Monarch Shares and 93,000 Monarch Shares through a registered retirement savings plan.

Members of the Monarch Board do not have direct information on the Monarch Shares beneficially owned by the afore mentioned individuals or over which they exercise control or direction. Such information was provided by the proposed nominees for directorship on an individual basis.

Majority Voting Policy

The Monarch Board adopted the Majority Voting Policy pursuant to which, in an uncontested election of directors, if a nominee for election as a director receives a greater number of votes "**withheld**" than votes "**for**", with respect to the election of directors by shareholders, he or she must immediately tender his or her resignation to the Monarch Board following the shareholders' meeting at which the election took place. The Monarch Board will determine whether to accept the resignation in question and announce such decision and the reasons for its decision in a press release to be issued within 90 days following the meeting of Monarch Shareholders, a copy of which must be provided to the TSX.

Unless there are exceptional circumstances, the Monarch Board will accept the resignation. Subject to any corporate law restrictions, the Monarch Board may (i) leave a vacancy in the Monarch Board unfilled until the next annual general meeting, (ii) fill the vacancy by appointing a new director who the Monarch Board considers to merit the confidence of the Monarch Shareholders, or (iii) call a special meeting of Monarch Shareholders to consider new Monarch Board nominee(s) to fill the vacant position(s).

In the event that a director refuses to tender his or her resignation in accordance with this policy, he or she will not be re-nominated for election by the Monarch Board.

The Majority Voting Policy does not apply if the director's election is contested.

Cease Trade Orders, Bankruptcies and Penalties and Sanctions

To the knowledge of the members of the Monarch Board and based on the information provided by the proposed nominees for directorship, none of these nominees:

- (a) is, as at the date of the Circular, or has been, within ten years before this date, a director, chief executive officer or chief financial officer of any corporation, including Monarch, which has been subject to one of the following orders:
 - (i) a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed nominee exercised these duties;
- (b) is, as at the date of the Circular, or has been within ten years before this date, a director or executive officer of any corporation, including Monarch, that, while that person was acting in that capacity, or within a year of that proposed nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee; or
- (d) has been imposed any penalties or sanctions by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority nor has been imposed any penalties or sanctions by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed nominee for directorship.

Approval of the SpinCo Option Plan

As the Monarch Option Plan will not carry forward to SpinCo, and in contemplation of the successful completion of the Arrangement, Monarch Shareholders will be asked to consider and, if deemed advisable, approve the SpinCo Option Plan and all unallocated stock options under the SpinCo Option Plan (the “**SpinCo Options**”) at the Meeting, subject to the Arrangement Resolution first being approved.

The SpinCo Option Plan is a rolling stock option plan pursuant to which the aggregate number of SpinCo Shares that may be issuable, subject to adjustment as provided in the SpinCo Option Plan, combined with all of SpinCo’s other securities-based compensation arrangements, including the SpinCo RSU Plan, shall not exceed 10% of the issued and outstanding SpinCo Shares.

As of the date of the Circular, no SpinCo Options have been granted nor have any other rights or securities to purchase SpinCo Shares been issued by SpinCo. If approved, the SpinCo Option Plan will be implemented if and when the SpinCo Shares are listed on the TSX or another stock exchange. The SpinCo Board does not intend to grant any SpinCo Options prior to the listing of the SpinCo Shares on the TSX or other stock exchange.

For the purposes of the SpinCo Option Plan description, unless otherwise defined herein, capitalized terms used hereinafter shall have the meanings ascribed thereto in the SpinCo Option Plan, a copy of which is attached hereto as Appendix G.

The material terms of the SpinCo Option Plan are as follows:

1. Employees, officers, Directors or Consultants of SpinCo or any subsidiary thereof, and persons employed to perform investor relations activities for an initial, renewable or extended period of twelve months or more (the “**Eligible Participants**”) are eligible to receive Stock Options under the SpinCo Option Plan.
2. Subject to adjustment as provided in the SpinCo Option Plan, the aggregate number of SpinCo Shares that may be issuable pursuant to the SpinCo Option Plan combined with all of SpinCo’s other securities-based compensation arrangements, including SpinCo’s restricted share unit plan, shall not exceed 10% of the issued and outstanding SpinCo Shares.
3. The SpinCo Board may, in its sole discretion, determine to which Eligible Participants Stock Options will be granted and the number of SpinCo Shares reserved for issuance pursuant to the Stock Options.
4. The number of SpinCo Shares issued to any one Eligible Participant within any one-year period, and issuable to any one Eligible Participant at any time, pursuant to the SpinCo Option Plan combined with all of SpinCo’s other securities-based compensation arrangements, including the SpinCo RSU Plan, shall not, in aggregate, exceed 5% of the total number of issued and outstanding SpinCo Shares. Moreover, the number of SpinCo Shares issued to Insiders within any one-year period, and issuable to Insiders at any time, pursuant to all securities-based compensation mechanisms, including the SpinCo Option Plan and the SpinCo RSU Plan, may not exceed 10% of the total number of issued and outstanding SpinCo Shares.
5. The maximum annual grant date value of awards issued to non-employee directors, pursuant to all securities-based compensation mechanisms, including the SpinCo Option Plan and the SpinCo RSU Plan, is \$150,000 of which no more than \$100,000 may be issued in the form of Stock Options.
6. Subject to provisions of the SpinCo Option Plan, the Expiry Date of a Stock Option shall be the 10th anniversary of the Date of Grant unless a shorter period of time is otherwise set by the SpinCo Board and set forth in the Notice of Grant at the time the particular Stock Option is granted.
7. The Expiry Date of any Stock Options that expires during a black-out period will be extended for a period of ten Business Days following the end of such a black-out period.
8. The Vesting Dates of the Stock Options shall correspond to the vesting periods determined by the SpinCo Board at the time of the grant of such Stock Options, as set out in the Notice of Grant.
9. The Exercise Price of the SpinCo Shares underlying such Stock Options corresponds to the market price of the SpinCo Shares at the closing of the TSX on the exchange day immediately preceding the Date of Grant, or if no SpinCo Shares were negotiated on this day, the arithmetic average of the last bid and ask prices of the SpinCo Shares on the TSX.
10. Stock Options (and any rights thereunder) shall be non-assignable and non-transferable unless by legacy or inheritance. Stock Options may be exercised only by the Optionholder’s legal representative within the first year following the Optionholder’s death.
11. The Expiry Date of a Stock Option held by an Optionholder that became vested prior to his or her death shall be the earlier of:
 - i) The Expiry Date shown on the relevant Notice of Grant; or
 - ii) one year following the Optionholder’s death.
12. Should a person employed to perform investor relations activities cease to be an Eligible Participant for any reason other than death (such as by reason of disability, resignation, dismissal or termination of contract), then the Expiry Date of its Stock Options vested at the latest on the date such person ceases to be an Eligible Participant (the “Date of Termination of Investor Relations Activities”), shall be the earlier of:
 - i) The Expiry Date shown on the relevant Notice of Grant; or

- ii) 30 days from the Date of Termination of Investor Relations Activities.
13. Should a person cease to be an Eligible Participant for any reason other than death or the termination of investor relations activities (such as by reason of disability, resignation, dismissal or termination of contract), then the Expiry Date of its Stock Options vested at the latest on the date such person ceases to be an Eligible Participant (the “**Termination Date**”), shall be the earlier of:
- i) The Expiry Date shown on the relevant Notice of Grant; or
 - ii) one year from the Termination Date.
14. Notwithstanding anything to the contrary in the provisions of Plan, if an Eligible Participant who is an Employee or Consultant of SpinCo, or any of its subsidiaries, is terminated for cause (serious reason, as referenced in Article 2094 of the *Civil Code of Québec*), all Stock Options held by such Eligible Participant shall immediately terminate and become null, void and of no effect on the date on which SpinCo, or any of its subsidiaries, gives a notice of termination for cause to such Eligible Participant.
15. Stock Options may be exercised in whole or in part in respect of a whole number of SpinCo Shares at any time or from time to time prior to the Expiry Date by delivering to SpinCo an Exercise Notice substantially in the form attached as Schedule “C” to the SpinCo Option Plan and a certified cheque or a bank draft payable to SpinCo in an amount equal to the aggregate Exercise Price of the SpinCo Shares to be purchased pursuant to the exercise of the Stock Options.
16. In the event of an unwanted Change of Control (i) all outstanding Stock Options then held by Optionholders which have not yet become fully vested will become fully vested, as of immediately prior to such Change of Control; and (ii) the SpinCo Board may, but shall not be obligated to, cancel all outstanding Stock Options, at their fair value.
17. The SpinCo Option Plan provides for an adjustment to the number of Stock Options granted if a stock dividend is paid on the SpinCo Shares or if the SpinCo Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for by securities or assets of SpinCo or of any other corporation.
18. Approval by the SpinCo Board, shareholders, the TSX and, as applicable, regulatory authorities will be required to make the following amendments to the SpinCo Option Plan:
- i) any amendment to the number or percentage of securities issuable under the SpinCo Option Plan;
 - ii) any amendment to remove or to exceed the Insider participation limit;
 - iii) a change regarding Eligible Participants under the SpinCo Option Plan that might serve to broaden or increase Insider participation or to increase the non-employee director participation limit set out under the SpinCo Option Plan;
 - iv) the addition of a provision that would allow the transfer or assignment of a Stock Option;
 - v) the addition of a cashless exercise Stock Option feature, payable in cash or securities, provided that the wording does not stipulate that the total number of underlying securities will be deducted from the number of securities reserved under the SpinCo Option Plan;
 - vi) the addition of a provision regarding deferred share units or restricted share units or any other mechanism or procedure where employees receive securities but SpinCo does not receive any cash consideration;
 - vii) any reduction of the Exercise Price of any SpinCo Share underlying any Stock Options, any cancellation of a Stock Option and the substitution of said Stock Option by a new Stock Option with reduced Exercise Price;

- viii) any extension of the Expiry Date of a Stock Option beyond its original Expiry Date (subject to the extension of the Expiry Date further to a blackout period as provided under the SpinCo Option Plan);
 - ix) any amendment to the method of determining the Exercise Price for each SpinCo Shares underlying any Stock Option granted under the SpinCo Option Plan;
 - x) any amendment to the amendment provisions of the SpinCo Option Plan;
 - xi) the addition of any form of financial assistance that SpinCo may grant to Eligible Participants under the SpinCo Option Plan to enable them to subscribe for SpinCo Shares following the exercise of Stock Options.
19. The SpinCo Board may, at its sole discretion, through a resolution and without shareholder approval, subject to receipt of approval from the TSX and, where required, from regulatory authorities, make all other amendments to the SpinCo Option Plan that are not set out in the preceding section, in particular, without limiting the generality of the foregoing, the following:
- i) Any administrative or clerical amendment or an amendment intended to clarify the provisions of the SpinCo Option Plan;
 - ii) any amendment to the provisions governing a Stock Option or the SpinCo Option Plan relating to the vesting period;
 - iii) a change to the termination provisions of a Stock Option that does not entail an extension beyond the original Expiry Date; and
 - iv) the termination of the SpinCo Option Plan.
20. Pursuant to the policies of the TSX, the unallocated entitlements under the SpinCo Option Plan must be approved every three years by SpinCo's shareholders at the annual general meeting of shareholders of SpinCo.

At the Meeting, Monarch Shareholders will be asked to pass an ordinary resolution, with or without amendment, in substantially the form set forth below (the **"SpinCo Option Plan Resolution"**):

"BE IT RESOLVED THAT:

1. subject to completion of the Arrangement and acceptance of the SpinCo Option Plan by the TSX or any other stock exchange, the SpinCo Option Plan, substantially in the form attached as Appendix G to the Circular, be and is hereby approved and adopted as the stock option plan of SpinCo with such modifications, if any, as may be required by the TSX or any stock exchange upon which the SpinCo Shares may be listed or may trade from time to time;
2. all unallocated SpinCo Options under the SpinCo Option Plan be and are hereby approved;
3. subject to completion of the Arrangement and acceptance by the TSX, SpinCo will have the ability to continue granting SpinCo Options under the SpinCo Option Plan until December 30, 2023, which is three years from the date of the Meeting at which Monarch Shareholder approval is being sought; and
4. any director or officer of Monarch is hereby authorized and directed, acting for, in the name of and on behalf of Monarch, to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer be necessary or desirable to carry out the foregoing resolution, including making appropriate filings with regulatory authorities including the TSX or any applicable stock exchange."

In order for the SpinCo Option Plan Resolution to be passed, it must be approved by a simple majority of the aggregate votes cast by Monarch Shareholders who vote virtually or by proxy at the Meeting. Unless otherwise directed, it is management's intention to vote **FOR** the SpinCo Option Plan Resolution. If you return a signed proxy form or VIF

and do not specify how you want your Monarch Shares voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the SpinCo Option Plan Resolution.

Approval of the SpinCo RSU Plan

In contemplation of the successful completion of the Arrangement, Monarch Shareholders will be asked to consider and, if deemed advisable, approve the SpinCo RSU Plan and all unallocated restricted shares units under the SpinCo RSU Plan (the “**SpinCo Share Units**”) at the Meeting, subject to the Arrangement Resolution first being approved.

As of the date of the Circular, no SpinCo Share Units have been granted nor have any other rights or securities to purchase SpinCo Shares been issued by SpinCo. If approved, the SpinCo RSU Plan will be implemented if and when SpinCo lists the SpinCo Shares on a stock exchange. The SpinCo Board does not intend to grant any SpinCo Share Units prior to the listing of the SpinCo Shares on the TSX or other stock exchange.

Subject to adjustment as provided in the SpinCo RSU Plan, the aggregate number of SpinCo Shares that may be issuable pursuant to the SpinCo RSU Plan combined with all of SpinCo’s other securities-based compensation arrangements, including the SpinCo Option Plan, shall not exceed 10% of the issued and outstanding SpinCo Shares.

For the purposes of the SpinCo RSU Plan description, unless otherwise defined herein, capitalized terms used hereinafter shall have the meanings ascribed thereto in Section 2.1 of the SpinCo RSU Plan, a copy of which is attached hereto as Appendix H. The material terms of the SpinCo RSU Plan are as follows:

1. Directors, officers, employees or Consultants of SpinCo or their Affiliates (the “**Eligible Persons**”) are eligible to receive Share Units under the SpinCo RSU Plan.
2. A Share Unit is a unit credited by means of an entry on the books of SpinCo to a Participant pursuant to the SpinCo RSU Plan, representing the right to receive, subject to and in accordance with the SpinCo RSU Plan, for each Vested Share Unit, one Share or the other consideration as referred to in the SpinCo RSU Plan, at the time, in the manner, and subject to the terms, set forth in the SpinCo RSU Plan and the applicable Grant Agreement.
3. Subject to adjustment as provided in the SpinCo RSU Plan, the aggregate number of SpinCo Shares that may be issuable pursuant to the SpinCo RSU Plan combined with all of SpinCo’s other securities-based compensation arrangements, including the SpinCo Option Plan, shall not exceed 10% of the issued and outstanding SpinCo Shares.
4. In addition, the number of SpinCo Shares issued to any one Participant within any one-year period, and issuable to any one Participant at any time, pursuant to the SpinCo RSU Plan combined with all of SpinCo’s other securities-based compensation arrangements, including the SpinCo Option Plan, shall not, in aggregate, exceed 5% of the total number of Outstanding Shares. Moreover, the number of SpinCo Shares issued to Insiders within any one-year period, and issuable to Insiders at any time, pursuant to all securities-based compensation mechanisms, including the SpinCo RSU Plan and the SpinCo Option Plan, may not exceed 10% of the total number of the issued and outstanding SpinCo Shares.
5. The maximum annual grant date value of awards issued to non-employee directors, pursuant to all securities-based compensation mechanisms, including the SpinCo RSU Plan and the SpinCo Option Plan, is \$150,000 of which no more than \$100,000 may be issued in the form of stock options under the SpinCo Option Plan.
6. Unless otherwise determined by the SpinCo Board, the SpinCo RSU Plan shall be administered by the SpinCo Compensation Committee to, among other things, interpret, administer and implement the SpinCo RSU Plan on behalf of the SpinCo Board in accordance with such terms and conditions as the SpinCo Board may prescribe and make recommendations to the SpinCo Board as to the number of Share Units to be granted to Eligible Persons as well as the terms and conditions of such grant, consistent with the SpinCo RSU Plan (provided that if at any such time such a committee has not been appointed by the SpinCo Board, the SpinCo RSU Plan will be administered by the SpinCo Board, and in such event references herein to the SpinCo Compensation Committee shall be construed to be a reference to the SpinCo Board). The SpinCo

Board will take such steps that in its opinion are required to ensure that the SpinCo Compensation Committee has the necessary authority to fulfil its functions under the SpinCo RSU Plan.

7. The SpinCo Compensation Committee is authorized, subject to the provisions of the SpinCo RSU Plan, to establish such rules and regulations as it deems necessary for the proper administration of the SpinCo RSU Plan, and to make determinations and take such other action in connection with or in relation to the SpinCo RSU Plan as it deems necessary or advisable. Each determination or action made or taken pursuant to the SpinCo RSU Plan, including interpretation of the SpinCo RSU Plan, shall be final and conclusive for all purposes and binding on all parties, absent manifest error.
8. The number of SpinCo Shares that may be issued under any Share Unit will be determined by SpinCo upon the recommendation of the SpinCo Compensation Committee.
9. Each whole Vested Share Unit (each being a Share Unit in respect of which all vesting terms and conditions set forth in the SpinCo RSU Plan and the applicable Grant Agreement have been either satisfied or waived in accordance with the SpinCo RSU Plan) shall be denominated or payable in SpinCo Shares (subject to adjustment in accordance with the SpinCo RSU Plan) or cash, at the sole discretion of SpinCo.
10. Within 60 days of a Vesting Date, SpinCo, in its sole and absolute discretion, shall, based on the Fair Market Value on the applicable Vesting Date, have the option of settling payment for Vested Share Units by any of the following methods or by a combination of such methods: (i) payment in cash; or (ii) subject to applicable law, payment in SpinCo Shares.
11. In the event that SpinCo does not use its discretion to determine the form of payment for the Vested Share Units within 60 days of a Vesting Date, payment for such Vested Share Units shall be in SpinCo Shares.
12. SpinCo shall not determine whether the payment method shall take the form of cash or SpinCo Shares until a Vesting Date, or some reasonable time prior thereto. A Participant shall not have any right to demand, to be paid in, or to receive SpinCo Shares in respect of a Vested Share Unit, at any time. Notwithstanding any election by SpinCo to settle any Vested Share Unit or a portion thereof, in SpinCo Shares, SpinCo reserves the right to change its election in respect thereof at any time up until payment is actually made and the Participant shall not have the right, at any time to enforce settlement in the form of SpinCo Shares.
13. To the extent a Vested Share Unit is to be payable in SpinCo Shares, one SpinCo Share is to be issued for each whole Vested Share Unit. To the extent a Vested Share Unit is to be payable in cash, the amount of cash shall be determined as of the close of business on the Vesting Date as the product of: (a) the number of Vested Share Units payable in cash, and (b) the Fair Market Value.
14. The Fair Market Value, with respect to a SpinCo Share, as at a particular date, refers to the weighted average of the prices at which the SpinCo Shares traded on the TSX (or, if the SpinCo Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the SpinCo Shares occurs) for the five trading days on which the SpinCo Shares traded on said exchange immediately preceding such date. In the event that the SpinCo Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the SpinCo Shares as determined by the SpinCo Board in its sole discretion, acting reasonably and in good faith.
15. Share Units granted pursuant to the SpinCo RSU Plan shall typically have a vesting term of three years, subject to the discretion of SpinCo to determine a different vesting schedule for any Share Unit, which shall be within a minimum vesting term of one year and a maximum vesting term of five years.
16. SpinCo will have the right at any time and from time to time to suspend or terminate the SpinCo RSU Plan and, subject to the provisions of the SpinCo RSU Plan, may:
 - (a) with the prior approval of shareholders of SpinCo by ordinary resolution make any amendment to any Grant Agreement or the SpinCo RSU Plan, including any amendment that would result in:

- i) an amendment to the definition of the Fair Market Value under the SpinCo RSU Plan benefiting an Insider;
- ii) an extension of the term of a Share Unit beyond its original Vesting Date benefiting an Insider;
- iii) any amendment to remove or to exceed the Insider's participation limit;
- iv) any amendment to increase the non-employee director participation limit set out under the SpinCo RSU Plan;
- v) an increase to the maximum number of SpinCo Shares issuable, either as a fixed number or a fixed percentage of the issued and outstanding SpinCo Shares;
- vi) amendments to the amendment provisions of the SpinCo RSU Plan; or

For subsections 15(a)(i), 15(a)(ii) and 15(a)(iii), the votes of securities held directly or indirectly by Insiders benefiting directly or indirectly from the amendment must be excluded.

- (b) without the prior approval of shareholders of SpinCo and without limiting the generality of the foregoing, SpinCo may make any other amendments not listed in (a) above to any Grant Agreement or the SpinCo RSU Plan, including:
 - i) amendments of a clerical nature, including but not limited to the correction of grammatical or typographical errors or clarification of terms;
 - ii) amendments to reflect any requirements of any regulatory authorities to which SpinCo is subject, including the TSX;
 - iii) amendments to any vesting provisions of a Share Unit; and
 - iv) amendments to the expiration date of a Share Unit that does not extend the term of a Share Unit past the original Vesting Date for such Share Unit.
- (c) Notwithstanding the foregoing, all procedures and necessary approvals required under the applicable rules and regulations of all regulatory authorities to which SpinCo is subject shall be complied with and obtained in connection with any such suspension, termination or amendment to the SpinCo RSU Plan or amendments to any Grant Agreement.

- 17. Except as otherwise determined by SpinCo or as set forth in the applicable Grant Agreement, upon the termination of a Participant's employment (as determined under criteria established by SpinCo), including by way of death, retirement, disability, termination without cause and termination for cause during the term of a Share Unit, all unvested Share Units held by the Participant shall be forfeited and cancelled; provided, however, that SpinCo may, if it determines that a waiver would be in the best interest of SpinCo, waive in whole or in part any or all remaining restrictions or conditions with respect to any such Unit Share.
- 18. Each Grant Agreement will provide that the Share Unit granted thereunder is not transferable or assignable to anyone other than a Permitted Assign.
- 19. A Permitted Assign in respect of a Participant means (i) an executor or administrator for the estate of the Participant upon the death of the Participant, or (ii) a committee or duly appointed representative of the Participant, upon the Participant becoming incapable, by reason of physical or mental incapacity, of managing his or her affairs.

At the Meeting, Monarch Shareholders will be asked to pass an ordinary resolution, with or without amendment, in substantially the form set forth below (the "**SpinCo RSU Plan Resolution**"):

"BE IT RESOLVED THAT:

- 1. subject to completion of the Arrangement and acceptance of the SpinCo RSU plan by the TSX or any other stock exchange, the SpinCo RSU Plan, substantially in the form attached as Appendix H to the Circular, be

and is hereby approved and adopted as the restricted share unit plan of SpinCo with such modifications, if any, as may be required by the TSX or any stock exchange upon which the shares of SpinCo may be listed or may trade from time to time;

2. all unallocated SpinCo Share Units under the SpinCo RSU Plan be and are hereby approved;
3. subject to completion of the Arrangement and acceptance by the TSX, SpinCo will have the ability to continue granting SpinCo Share Units under the SpinCo RSU Plan until December 30, 2023, which is three years from the date of the Meeting at which Monarch Shareholder approval is being sought; and
4. any director or officer of Monarch is hereby authorized and directed, acting for, in the name of and on behalf of Monarch, to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer be necessary or desirable to carry out the foregoing resolution, including making appropriate filings with regulatory authorities including the TSX or any applicable stock exchange.”

In order for the SpinCo RSU Plan Resolution to be passed, it must be approved by a simple majority of the aggregate votes cast by Monarch Shareholders who vote virtually or by proxy at the Meeting. Unless otherwise directed, it is management’s intention to vote **FOR** the SpinCo RSU Plan Resolution. If you return a signed proxy form or VIF and do not specify how you want your Monarch Shares voted, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the SpinCo RSU Plan Resolution.

NAMED EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Named Executive Officers

Due to the size and history of Monarch, the Monarch Board is responsible of establishing the compensation of the named executive officers, being the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer, the Vice President, Operations and Community Relations as well as the Vice President, Corporate Development of Monarch (collectively, the “**Named Executive Officers**”). The Monarch Board reviews annually the compensation paid to the Named Executive Officers.

The compensation of the Named Executive Officers has been established with a view to attracting and retaining persons critical to Monarch’s short- and long-term success and to continuing to provide to such persons with compensation that is in accordance with existing market standards.

On February 11, 2019, the Monarch Board established the Compensation Committee that is comprised entirely of independent directors responsible, amongst other things, of establishing the compensation of the Named Executive Officers. From its inception until the end of the last fiscal year, the Compensation Committee’s work focused on (i) the review of the total compensation and benefits of certain groups of employees of Monarch with a view of standardizing same by eliminating differences in these respects resulting from a past transaction, and (ii) developing a peer group of corporations on order to perform thereafter a full review of the global compensation of senior executives. However, following the resignation of two of the three directors who were members of the Compensation Committee, the work of the Compensation Committee was suspended as of May 12, 2020. At said date, the Compensation Committee had not yet established, to its satisfaction, a peer group of companies for the purpose of performing the compensation review indicated in item (ii) above. In July 2020, the work of the Compensation Committee resumed following the appointment of two new directors to said Compensation Committee. The members of the Compensation Committee are Christian Pichette (Chairman), Guylaine Daigle and Laurie Gaborit. All members of the Compensation Committee have experience with the process of setting the compensation for executives.

Through its compensation practices, Monarch seeks to provide value to its shareholders through a strong executive leadership. Specifically, the Named Executive Officers compensation structure seeks to: (i) attract and retain talented and experienced executives necessary to achieve Monarch’s strategic objectives; (ii) motivate and reward Named Executive Officers whose knowledge, skills and performance are critical to Monarch’s success; and (iii) align the interests of the Named Executive Officers and the Monarch Shareholders by motivating the Named Executive Officers to increase shareholder value.

Within the respect of the overall objectives of its compensation practices, and taking into consideration its current stage of development, Monarch determined the specific amounts of compensation to be paid to each of the Named Executive Officers based on a number of factors, including: (i) Monarch’s understanding of the amount of compensation generally paid by similar companies to the named executive officers with similar roles and responsibilities; (ii) the Named Executive Officers’ performance during the fiscal year; (iii) the roles and responsibilities of Monarch’s Named Executive Officers; (iv) the individual experience, the skills of, and expected contributions from each of the Named Executive Officers having regard for Monarch’s current stage of development and its general perspectives; (v) the amounts of compensation being paid to the other Named Executive Officers; and (vi) any other contractual commitments that Monarch has made to its Named Executive Officers regarding compensation.

Base Salary

Monarch intends to provide the Named Executive Officers with a base salary that is competitive with what it knows of the base salaries of other executive officers in similar companies while taking into account its current stage of development. Monarch believes that a competitive base salary is an important element in attracting and retaining talented and experienced executives. Monarch also believes that attractive base salaries can motivate and reward Named Executive Officers for their overall performance. The base salary of each Named Executive Officer is reviewed annually.

Base salaries depend on the experience, skills and expected contribution of each Named Executive Officer, as well as the Named Executive Officer’s role, responsibilities and other factors.

The base salary assessment and annual revisions, if any, to each Named Executive Officer’s base salary are made in accordance with the compensation structure and stage of development of Monarch. Base salary and annual revisions are approved by the Monarch Board¹.

Annual Cash Incentive Bonuses

Monarch only established a formal annual incentive program (annual bonuses) in September 2020 for the next financial year (July 1, 2020 to June 30, 2021). Up to now, under their respective employment terms or Monarch’s compensation structure, each Named Executive Officer is eligible to receive a discretionary annual cash incentive bonus, up to a specified percentage of the Named Executive Officer’s base salary, based on performance and the achievement of objectives, the whole subject to the financial situation of Monarch. The following table shows the target percentages of annual cash incentive bonuses for each of the Named Executive Officers as set in September 2020:

Named Executive Officer	Target Percentage
President and Chief Executive Officer	50%
Vice President, Finance and Chief Financial Officer	30%
Vice President, Operations and Community Relations	30%
Vice President, Corporate Development	30%

Overall, the primary objective of the incentive awards, for Monarch, is to motivate and reward the Named Executive Officers for the achievement of short-term objectives of Monarch, and their individual performance, while taking into account the financial situation and performance of Monarch.

The Monarch Board has the discretionary power to take into consideration any other factor that it considers relevant in the analysis and determination of the annual cash incentive bonus to be paid to the Named Executive Officers. The Monarch Board may also decide that no annual cash incentive bonus will be paid.

¹ As a member of the Monarch Board, Mr. Jean-Marc Lacoste avoids discussing, and abstains from voting on any question relating to his own compensation as President and Chief Executive Officer.

There were bonuses paid to the Named Executive Officers for the fiscal years ended June 30, 2020, 2019 and 2018. Please refer to “— *Summary Compensation Table*” below for additional information regarding the amount of the bonuses paid to the Named Executive Officers in 2018, 2019 and 2020.

Option-Based Awards

Monarch’s granting of Monarch Options to Named Executive Officers under the Monarch Option Plan is a method of compensation which is used to attract and retain personnel and to provide an incentive to participate in the long-term development of Monarch and to increase shareholder value. The relative emphasis of Monarch Options for compensating Named Executive Officers will generally vary depending on the number of Monarch Shares held by such persons and the number of Monarch Options that is outstanding from time to time.

Monarch generally expects future grants of Monarch Options should be based on the following factors: (i) the terms and conditions of the employment agreements of Named Executive Officers; (ii) the Named Executive Officer’s past performance; (iii) the Named Executive Officer’s anticipated future contribution; (iv) the prior granting of Monarch Options to such Named Executive Officer; (v) the level of vested and unvested Monarch Options; and (vi) the market practices and the Named Executive Officer’s responsibilities and performance.

For the financial year ended June 30, 2020, Monarch had not set specific target levels for the granting of Monarch Options to Named Executive Officers but always seeks to be competitive with similar companies. For a summary of the main terms and conditions of the Monarch Option Plan, please refer to “*Stock Option Plan and Other Incentive Plans – Amended and Restated Stock Option Plan Description*”.

Performance Graph

The following chart compares the cumulative total return on a \$100 investment in Monarch Shares made on November 15, 2018, the date on which the Monarch Shares started to trade on the TSX, to the cumulative total return on the S&P/TSX Composite Index until June 30, 2020.



Given that the Monarch Shares started to trade on the TSX on November 15, 2018 (being less than five years), Monarch is currently not in a position to discuss how the trend shown by this graph compares to the trend in Monarch’s compensation of its Named Executive Officers. However, the graph shows that during Monarch’s last fiscal year (from July 1, 2019 to June 30, 2020) the return on the Monarch Shares increased by 54% while the value of the cumulative total return of the S&P/TSX Composite Index decreased by 5.28%. During this same period, the aggregate compensation of the Named Executive Officers remained virtually unchanged from that of the previous fiscal year.

Compensation Governance

The Monarch Board established on February 11, 2019 the Compensation Committee that is comprised entirely of independent directors responsible, amongst other things, of establishing the compensation of the Named Executive Officers and to make recommendations to the Monarch Board. The members of the Compensation Committee are Christian Pichette (Chairman), Guylaine Daigle and Laurie Gaborit. Given the recent establishment of the Compensation Committee and its work prior to performing a review of the Named Executive Officers compensation, it is the Monarch Board that determined the compensation payable to the Named Executive Officers for the fiscal year ended June 30, 2020.

After the fiscal year ended June 30, 2020, the Compensation Committee retained Global Governance Advisors (“GGA”) to review the compensation of senior management and directors and to recommend a framework for future compensation strategy. The objective of GGA’s mandate is to establish compensation practices that fairly reward senior management and board members for their performance and that promote the alignment of compensation with shareholder interests while ensuring that compensation remains competitive and consistent with that paid by industry peers and takes into account Monarch’s financial position and stage of development.

Summary Compensation Table

The following table details all compensation paid to the Named Executive Officers for the fiscal years ended June 30, 2018, 2019 and 2020.

Name and principal position	Year	Non-equity incentive plan compensation (\$)						Total compensation (\$)
		Base Salary (\$)	Option based awards (\$) ⁽¹⁾	Annual incentive plans	Long-term incentive plans	Pension value (\$) ⁽²⁾	All other compensation (\$)	
Jean-Marc Lacoste, President and Chief Executive Officer	2020	300,000	54,900	103,500	-	7,788	-	466,188
	2019	300,000	89,100	60,000	-	15,404	-	464,504
	2018	277,958	58,050	75,000	-	9,809	-	420,817
Alain Lévesque, Vice President, Finance and Chief Financial Officer	2020	200,000	24,400	45,000	-	5,192	-	275,092
	2019	200,000	49,450	20,000	-	10,269	-	279,719
	2018	187,591	38,700	25,000	-	6,539	-	257,830
Marc-André Lavergne, Vice President, Operations and Community Relations ⁽³⁾	2020	225,000	24,400	61,000 ⁽⁴⁾	-	5,841	2,700	318,941
	2019	225,000	49,450	41,875 ⁽⁴⁾	-	11,551	14,400	342,276
	2018	167,419	48,375	44,615	-	8,371	8,400	277,180
Mathieu Séguin, Vice President, Corporate Development	2020	125,000	24,400	20,000	-	3,245	-	169,400
	2019	50,480 ⁽⁵⁾	36,250	-	-	2,524	-	89,254

Notes:

- (1) The value of the Monarch Options was estimated based on the Black & Scholes model for establishing the price of options based on the following weighted-average assumptions:

	2018	2019	2020
Expected life of options	5 years	5 years	5 years
Expected volatility rate	80%	80%	80%
Risk-free interest rate	1.66%	2.46%	1.64%
Expected annual dividend rate	-	-	-

- (2) The amounts set out in this column represent the employer's portion of a pension plan of Monarch.
(3) Mr. Lavergne started his functions as Vice President, Operations of Monarch as of October 3, 2017, being nine months prior to the end of the fiscal year ended June 30, 2018.
(4) Includes a retention bonus of \$25,000.
(5) Mr. Séguin started his functions as Vice President, Corporate Development of Monarch as of February 4, 2019, being five months prior to the end of the fiscal year ended June 30, 2019.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table lays out all outstanding compensation securities granted or issued to Named Executive Officers by Monarch as at the end of the year ended June 30, 2020, including those granted before the last fiscal year.

Name	Date of issue	Option-based Awards			Share-based Awards			
		Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Jean-Marc Lacoste, President and Chief Executive Officer	28/10/2019	450 000 ⁽²⁾	0.25	28/10/2024	60,750	-	-	-
	12/07/2018	450,000 ⁽³⁾	0.31	12/07/2023	33,750	-	-	-
	27/10/2017	300,000 ⁽⁴⁾	0.37	27/10/2022	4,500	-	-	-
	22/11/2016	450,000	0.33	22/11/2021	24,750	-	-	-
	27/01/2016	400,000	0.08	27/01/2021	122,000	-	-	-
Alain Lévesque, Vice President Finance and Chief Financial Officer	28/10/2019	200 000 ⁽²⁾	0.25	28/10/2024	27,000	-	-	-
	12/07/2018	250,000 ⁽³⁾	0.31	12/07/2023	18,750	-	-	-
	27/10/2017	200,000 ⁽⁴⁾	0.37	27/10/2022	3,000	-	-	-
	22/11/2016	100,000	0.33	22/11/2021	5,500	-	-	-
	27/01/2016	25,000	0.08	27/01/2021	7,625	-	-	-
	06/11/2015	75,000	0.10	06/11/2020	21,375	-	-	-
Marc-André Lavergne, Vice President, Operations and Community Relations	28/10/2019	200 000 ⁽²⁾	0.25	28/10/2024	27,000	-	-	-
	12/07/2018	250,000 ⁽³⁾	0.31	12/07/2023	18,750	-	-	-
	27/10/2017	250,000 ⁽⁴⁾	0.37	27/10/2022	3,750	-	-	-
Mathieu Séguin, Vice President, Corporate Development	28/10/2019	200 000 ⁽²⁾	0.25	28/10/2024	27,000	-	-	-
	11/02/2019	250 000 ⁽³⁾	0.25	11/02/2024	33,750	-	-	-

Notes:

- (1) The closing price of the shares as at June 30, 2020 was \$0.385.
- (2) As at June 30, 2020, none of the granted options were vested and exercisable.
- (3) As at June 30, 2020, 25% of the granted options were vested and exercisable.
- (4) As at June 30, 2020, 50% of the granted options were vested and exercisable.

The following table lays out, for each Named Executive Officer, the value vested of all awards and the value earned during the fiscal year ended June 30, 2020.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jean-Marc Lacoste	14,625	N/A	N/A
Alain Lévesque	3,250	N/A	N/A
Marc-André Lavergne	N/A	N/A	N/A
Mathieu Séguin	N/A	N/A	N/A

Note:

- (1) Represents the aggregate value that would have been realized if the vested options had been exercised on their respective vesting dates during the 2020 financial year, based on the difference between the closing price of the Monarch Shares on the Toronto Stock Exchange on the vesting date of the options (or the previous trading day if the vesting date of the options is not a trading day) and the exercise price of the vested options. The November 22, 2016 and January 27, 2016 options vested in full before the beginning of the fiscal year ended June 30, 2020. The options that vested on July 12, 2019 (closing \$0.25), October 27, 2019 (\$0.22 to October 25, 2019) and February 11, 2020 (\$0.175) were not in the money.

Pension Plan Benefits

Effective October 2, 2017, Monarch assumed the continuity of a simplified pension plan for its employees, including the Named Executive Officers (the “**Pension Plan**”). On June 30, 2020, the Pension Plan’s main terms are as follows:

Eligibility:	After 700 regular hours
Participation:	Optional
Contributions:	Employer: 2.5% of salary Employee: Additional contributions permitted
Maximum contributions:	5% of salary
Vesting:	Immediate
Locking-in:	Yes, except for employee voluntary contributions
Access to HBP / LLP:	Yes, for funds accumulated in non-locked-in account
Transfers from other plans:	Permitted

Pursuant to the Pension Plan, the annuity payment can start at any time before the last day of the 71st anniversary of the employee or the provided age under the applicable legislation. Besides, it is possible for the employee to take an early retirement the first day of any month following the 55th anniversary of such employee.

The following table lays out, for each Name Executive Officer, the accumulated value at the start of the fiscal year, the compensatory value under the Pension Plan and the accumulated value at the end of the fiscal year ended June 30, 2020.

Name	Accumulated value at the start of the year	Compensatory amount	Accumulated value at year-end
Jean-Marc Lacoste	\$26,438	\$7,788	\$34,226
Alain Lévesque	\$17,601	\$5,192	\$22,793
Marc-André Lavergne	\$81,287	\$5,841	\$87,128
Mathieu Séguin	\$2,524	\$3,245	\$5,769

Termination and Change of Control Benefits

Jean-Marc Lacoste

An employment agreement was concluded on December 20, 2012 between Monarch and Mr. Jean-Marc Lacoste, President and Chief Executive Officer of Monarch, as completed by an addendum dated on January 30, 2015 (together, the “**Lacoste Agreement**”). As per the Lacoste Agreement, the employment of Mr. Lacoste is for an indeterminate term. On October 3, 2017, the date following the acquisition by Monarch of all of the Québec assets of Richmont Mines Inc., the yearly gross salary of Mr. Lacoste was increased to \$300,000 and it was increased to \$350,000 at the most recent annual compensation review. The Lacoste Agreement also provides that Mr. Lacoste is eligible to a yearly bonus according to the parameters and guidelines of Monarch for the remuneration of its managers as adopted by the Monarch Board. Mr. Lacoste benefits from Monarch’s collective insurance. Since September 2020, Mr. Lacoste is entitled to four weeks of paid vacations per year and also to Monarch Options that may be granted from time to time by the Monarch Board under the Monarch Option Plan then in force.

The Lacoste Agreement also provides for the following:

- (a) Monarch may, for cause, terminate at any time the employment of Mr. Lacoste. In such case, the Lacoste Agreement will be terminated and Monarch will have no obligation to provide Mr. Lacoste with any notice of termination or to pay him any indemnity or compensation whatsoever;
- (b) Monarch may also, without cause, terminate at any time the employment of Mr. Lacoste. In such case, Monarch will have the obligation to provide Mr. Lacoste with a written notice of termination and the latter will be entitled to receive a lump sum representing twelve months of salary payable on the last day of work at the business address of Monarch; and
- (c) Mr. Lacoste may, at any time, resign from his employment for any reason. In such case, Mr. Lacoste will have to provide Monarch with a notice of resignation at least two months before his resignation.

In addition, the Lacoste Agreement provides for the following should Monarch undergo a change of control:

- (a) Within one year after a change of control, should Monarch, without cause, terminate the Lacoste Agreement or should Mr. Lacoste leave Monarch within such one-year period due to constructive dismissal, Monarch will immediately provide Mr. Lacoste with:
 - (i) a severance allowance equal to 24 months of his basic annual salary on the termination date;
 - (ii) the greater of the following: 1) the bonus paid to him during the two financial years immediately preceding the date his employment is terminated or 2) the average of the annual bonuses paid to him in the three financial years immediately preceding the date his employment is terminated multiplied by two;
 - (iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in the Lacoste Agreement;
 - (iv) payment of fees of an outplacement counsellor and reimbursement of reasonable expenses incurred in connection with Mr. Lacoste’s job search, up to a total amount equal to five percent of his annual basic salary;
 - (v) payment of fees of the financial and/or tax advisor(s) chosen by Mr. Lacoste, up to an amount equal to five percent of his annual base salary.

As per the Lacoste Agreement, Mr. Lacoste must comply with all confidentiality, non-solicitation and non-compete clauses. These clauses will apply for the duration of the employment of Mr. Lacoste and for a period of 12 months following termination of his employment.

Alain Lévesque

Monarch has a written employment agreement with Mr. Alain Lévesque, Vice President, Finance and Chief Financial Officer of Monarch pursuant to which the employment conditions of the latter were confirmed (the “**Employment Agreement of the Chief Financial Officer**”). Mr. Lévesque became an employee of Monarch on June 1, 2017 with a yearly gross salary of \$150,000. On October 3, 2017, date following the acquisition by Monarch of all of the Québec assets of Richmond Mines Inc., the yearly gross salary of Mr. Lévesque was increased to \$200,000 and it was increased to \$210,000 at the most recent annual compensation review.

The Employment Agreement of the Chief Financial Officer also provides that Mr. Lévesque is eligible to a yearly bonus according to the parameters and guidelines of Monarch for the remuneration of its managers as adopted by the Monarch Board. Mr. Lévesque benefits from Monarch’s collective insurance. Mr. Lévesque is entitled to four weeks of paid vacations per year. Mr. Lévesque is entitled to Monarch Options that may be granted from time to time by the Monarch Board under the Monarch Option Plan then in force.

The Employment Agreement of the Chief Financial Officer also provides for the following:

- (a) Monarch may, for cause, terminate at any time the contract. In such case, the Employment Agreement of the Chief Financial Officer will be terminated and Monarch will have no obligation to provide Mr. Lévesque with any notice of termination of contract or to pay him any indemnity or compensation whatsoever;
- (b) Monarch may also, without cause, terminate at any time the contract. In such case, Monarch will have the obligation to provide Mr. Lévesque with a written notice of termination of contract and the latter will be entitled to receive a lump sum representing eight months of salary payable on the last day of work at the business address of Monarch if the termination occurred in the first eight months of the employment and twelve months if the termination occurred after eight months of employment; and
- (c) Mr. Lévesque may, at any time, terminate the contract for any reason. In such case, Mr. Lévesque will have to provide Monarch with a written notice of termination of employment at least two months.

In addition, the Employment Agreement of the Chief Financial Officer provides for the following should Monarch undergo a change of control:

- (a) Within one year after a change of control, should Monarch, without cause, terminate the Employment Agreement of the Chief Financial Officer or should Mr. Lévesque leave Monarch within such one-year period due to constructive dismissal, Monarch will immediately provide Mr. Lévesque with:
 - (i) a severance allowance equal to 12 months of his basic annual salary on the termination date;
 - (ii) the greater of the following: 1) the bonus paid to him during the two financial years immediately preceding the date his employment is terminated or 2) the average of the annual bonuses paid to him in the two financial years immediately preceding the date his employment is terminated multiplied by two;
 - (iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in the Employment Agreement of the Chief Financial Officer;
 - (iv) payment of fees of an outplacement counsellor and reimbursement of reasonable expenses incurred in connection with Mr. Lévesque’s job search, up to a total amount equal to five percent of his annual basic salary;
 - (v) payment of fees of the financial and/or tax advisor(s) chosen by Mr. Lévesque, up to an amount equal to five percent of his annual base salary.

As per the Employment Agreement of the Chief Financial Officer, Mr. Lévesque must comply with all confidentiality, non-solicitation and non-compete clauses. These clauses will apply for the duration of the employment of Mr. Lévesque and for a period of 12 months following termination of his employment.

Marc-André Lavergne

Monarch has a written employment agreement with Mr. Marc-André Lavergne, Vice President, Operations and Community Relations setting his employment conditions with Monarch (the “**Employment Agreement of the Vice President Operations**”). Mr. Lavergne became an employee of Monarch as of October 1, 2017, in the context of the acquisition by Monarch of all the Québec assets of Richmond Mines Inc., Mr. Lavergne’s employer at the time, with a yearly gross salary of \$225,000. The Employment Agreement of the Vice President Operations recognizes his months of continued services with said company with a start date of October 31, 2011. In addition to his base salary, Mr. Lavergne is entitled to a total retention bonus of up to \$ 50,000, which will be earned in two equal installments of \$ 25,000 each, payable on December 31, 2018 and December 31, 2019 (each a “**Vesting Date**”) provided that Mr. Lavergne is actively employed by Monarch on the Vesting Date.

The Employment Agreement of the Vice President Operations also provides that Mr. Lavergne is eligible to a yearly bonus according to the parameters and guidelines of Monarch for the remuneration of its managers as adopted by the Monarch Board. Mr. Lavergne also benefits from Monarch’s collective insurance and from a monthly car allowance. Mr. Lavergne is entitled to four weeks of paid vacations per year and also to Monarch Options that may be granted from time to time by the Monarch Board under the Monarch Option Plan then in force.

The Employment Agreement of the Vice President Operations provides that, should Monarch undergo a change of control and within one year after a change of control (a) should Monarch, without cause, terminate the Employment Agreement of the Vice President Operations or (b) should Mr. Lavergne leave Monarch within such one-year period due to constructive dismissal, Monarch will immediately provide Mr. Lavergne with:

- (i) a severance allowance equal to 12 months of his basic annual salary on the termination date;
- (ii) an amount equal to the bonus paid to him during the previous financial year immediately preceding the date his employment is terminated; and
- (iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in the Employment Agreement of the Vice President Operations.

As per the Employment Agreement of the Vice President Operations, Mr. Lavergne must comply with all confidentiality, non-solicitation and non-compete clauses. These clauses will apply for the duration of the employment of Mr. Lavergne and for a period of 12 months following termination of his employment.

Mathieu Séguin

Monarch has a written employment agreement with Mr. Mathieu Séguin, Vice President, Corporate Development, setting his employment conditions with Monarch (the “**Employment Agreement of the Vice President Corporate Development**”). Mr. Séguin became an employee of Monarch as of February 4, 2019, with a yearly gross salary of \$125,000. At the most recent annual review, this yearly gross salary was increased to \$185,000.

The Employment Agreement of the Vice President, Corporate Development provides that Mr. Séguin is eligible to a yearly bonus according to the parameters and guidelines of Monarch for the remuneration of its managers as adopted by the Monarch Board. Mr. Séguin also benefits from Monarch’s collective insurance and is entitled to four weeks of paid vacations per year and also to Monarch Options that may be granted from time to time by the Monarch Board under the Monarch Option Plan then in force.

The Employment Agreement of the Vice President, Corporate Development provides that, should Monarch undergo a change of control and within one year after a change of control, (a) should Monarch, without cause, terminate the Employment Agreement of the Vice President, Corporate Development or (b) should Mr. Séguin leave Monarch within such one-year period due to constructive dismissal, Monarch will immediately provide Mr. Séguin with:

- (i) a severance allowance equal to 12 months of his basic annual salary on the termination date;
- (ii) an amount equal to the bonus paid to him during the previous financial year immediately preceding the date his employment is terminated; and

- (iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in the Employment Agreement of the Vice President, Corporation Development.

As per the Employment Agreement of the Vice President, Corporate Development, Mr. Séguin must comply with all confidentiality, non-solicitation and non-compete clauses. These clauses will apply for the duration of the employment of Mr. Séguin and for a period of 12 months following termination of his employment.

Director Compensation

Directors

For the fiscal year ended June 30, 2020, the Monarch Board had the responsibility of establishing the compensation to be paid to the directors of Monarch. The Monarch Board, directly or through one of its committees, reviews the compensation payable to the directors at least once a year, taking into account Monarch's financial situation.

The terms of the compensation payable to directors who are not executive officers are as follows:

Annual fee – Monarch Board members	\$10,000
Additional annual fee – Chairperson of the Monarch Board	\$14,000
Additional annual fee – Chairperson of a Committee of the Monarch Board	\$7,500
Attendance fee – Monarch Board members (including the Chairperson of the Monarch Board)	\$1,000
Attendance fee – Committee members (including the Chairperson of a Committee)	\$1,000

All directors are entitled to be reimbursed for reasonable travel expenses incurred with respect to their attendance at meetings of the Monarch Board and the Audit Committee. In addition, they are all eligible to receive Monarch Options pursuant to the Monarch Option Plan and therefore, during the fiscal year ended June 30, 2020, a total of 1,800,000 Monarch Options were granted to all the directors.

Director Compensation Table

During the fiscal year ended June 30, 2020, the aggregate amount paid to the directors, who were not employees of Monarch, as compensation for their services as directors and members of the Audit Committee and Compensation Committee amounted to \$125,879.

The following table details the compensation paid to Monarch's directors for their service as directors for the year ended June 30, 2020.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michel Baril ⁽²⁾	22,183	-	30,500	-	-	-	52,683
Michel Bouchard	34,000	-	42,700	-	-	-	76,700
Yohann Bouchard ⁽³⁾	437	-	16,980	-	-	-	17,417
Guy Bourassa ⁽⁴⁾	13,104	-	30,500	-	-	-	43,604
Guylaine Daigle ⁽⁵⁾	5,299	-	12,660	-	-	-	17,959
Laurie Gaborit ⁽⁶⁾	16,926	-	30,500	-	-	-	47,426
Christian Pichette ⁽⁷⁾	33,930	-	30,500	-	-	-	64,430

Notes:

- (1) The value of Monarch Options was estimated based on the Black & Scholes model for establishing the price of options based on the following weighted-average assumptions:

	2018	2019	2020
Expected life of options	5 years	5 years	5 years
Expected volatility rate	80%	80%	80%
Risk-free interest rate	1.66%	2.46%	1.64%
Expected annual dividend rate	-	-	-

- (2) Mr. Baril resigned from the Monarch Board effective April 23, 2020.
(3) Mr. Yohann Bouchard joined the Monarch Board on June 15, 2020.
(4) Mr. Bourassa resigned from the Monarch Board effective April 23, 2020.
(5) Ms. Daigle joined the Monarch Board on April 23, 2020.
(6) Ms. Gaborit joined the Monarch Board on October 28, 2019. For the year ended June 30, 2020, Monarch paid an amount of \$5,259 to Ms. Gaborit for her services as a consultant.
(7) For the year ended June 30, 2020, Monarch paid an amount of \$4,907 to Mr. Pichette for his services as a consultant.

The following table lays out all outstanding compensation securities granted or issued to directors as at the end of the year ended June 30, 2020, including those granted before the last fiscal year.

Name	Date of issue	Option-based Awards			Share-based Awards			
		Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Michel Baril	28/10/2019	250,000 ⁽²⁾	0.25	28/10/2024	33,750	-	-	-
	12/07/2018	250,000 ⁽³⁾	0.31	12/07/2023	18,750	-	-	-
	27/10/2017	200,000 ⁽⁴⁾	0.37	27/10/2022	3,000	-	-	-
	22/11/2016	175,000	0.33	22/11/2021	9,625	-	-	-
	27/01/2016	200,000	0.08	27/01/2021	61,000	-	-	-
Michel Bouchard	28/10/2019	350,000 ⁽²⁾	0.25	28/10/2024	47,250	-	-	-
	12/07/2018	350,000 ⁽³⁾	0.31	12/07/2023	26,250	-	-	-
	27/10/2017	200,000 ⁽⁴⁾	0.37	27/10/2022	3,000	-	-	-
	22/11/2016	225,000	0.33	22/11/2021	12,375	-	-	-
	27/01/2016	100,000	0.08	27/01/2021	30,500	-	-	-
Yohann Bouchard	15/06/2020	100,000 ⁽²⁾	0.275	15/06/2025	11,000	-	-	-
Guy Bourassa	28/10/2019	250,000 ⁽²⁾	0.25	28/10/2024	33,750	-	-	-
	12/07/2018	250,000 ⁽³⁾	0.31	12/07/2023	18,750	-	-	-
	27/10/2017	200,000 ⁽⁴⁾	0.37	27/10/2022	3,000	-	-	-
	22/11/2016	125,000	0.33	22/11/2021	6,875	-	-	-
	27/01/2016	100,000	0.08	27/01/2021	30,500	-	-	-
Guylaine Daigle	23/04/2020	100,000 ⁽²⁾	0.20	23/04/2025	18,500	-	-	-
Laurie Gaborit	28/10/2019	250,000 ⁽²⁾	0.25	28/10/2024	33,750	-	-	-

Name	Date of issue	Option-based Awards			Share-based Awards		
		Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Christian Pichette	28/10/2019	250,000 ⁽²⁾	0.25	28/10/2024	33,750		
	12/07/2018	250,000 ⁽³⁾	0.31	12/07/2023	18,750		
	27/10/2017	200,000 ⁽⁴⁾	0.37	27/10/2022	3,000		
	22/11/2016	125,000	0.33	22/11/2021	6,875		

Notes:

- (1) The closing price of the shares as at June 30, 2020 was \$0.385.
- (2) As at June 30, 2020, none of the granted Monarch Options were vested and exercisable.
- (3) As at June 30, 2020, 25% of the granted Monarch Options were vested and exercisable.
- (4) As at June 30, 2020, 50% of the granted Monarch Options were vested and exercisable.

The following table lays out, for each director, the value vested of all awards and the value earned during the fiscal year ended June 30, 2020.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Michel Baril	6,500	N/A	N/A
Michel Bouchard	3,250	N/A	N/A
Yohann Bouchard	N/A	N/A	N/A
Guy Bourassa	N/A	N/A	N/A
Guyline Daigle	N/A	N/A	N/A
Laurie Gaborit	N/A	N/A	N/A
Christian Pichette	Nil	N/A	N/A

Notes:

- (1) Represents the aggregate value that would have been realized if the vested Monarch Options had been exercised on their respective vesting dates during the 2020 financial year, based on the difference between the closing price of the Monarch Shares on the TSX on the vesting date of the Monarch Options (or the previous trading day if the vesting date of the Monarch Options is not a trading day) and the exercise price of the vested Monarch Options. The November 22, 2016 and January 27, 2016 Monarch Options vested in full before the beginning of the fiscal year ended June 30, 2020. The Monarch Options that vested on July 12, 2019 (closing \$0.25) and October 27, 2019 (\$0.22 to October 25, 2019) were not in the money.

Stock Option Plan and Other Incentive Plans

Amended and Restated Stock Option Plan Description

The following describes the material terms of the Monarch Option Plan.

The Monarch Board may grant Monarch Options to (a) an employee, officer, director or consultant of Monarch or any subsidiary thereof and to (b) a person employed to perform investor relations activities (the “**Eligible Participants**”).

The purpose of the Monarch Option Plan, considered as a rolling stock option plan pursuant to the policies of the TSX, is to provide Monarch with a share-based mechanism to attract, motivate and retain Eligible Participants whose skills, performance and loyalty to Monarch or any of its subsidiaries, as the case may be, are necessary to its success, image, reputation or activities.

For the purposes of the Monarch Option Plan description, capitalized terms used herein that are not otherwise defined will have the meanings attributed thereto in the Monarch Option Plan.

The material terms of the Monarch Option Plan are as follows:

1. A maximum of 10% of the issued Monarch Shares being outstanding from time to time is reserved for the grant of Monarch Options pursuant to the Monarch Option Plan.
2. The Monarch Board may, in its sole discretion, determine to which Eligible Participants Monarch Options will be granted and the number of Monarch Shares reserved for issuance pursuant to the Monarch Options.
3. The number of Monarch Shares issuable to Insiders, at any time, pursuant to all securities-based compensation mechanisms, including the Monarch Option Plan, may not exceed 10% of the total Monarch Shares issued and outstanding on a non-diluted basis. The number of Monarch Shares issued to Insiders, within any 12-month period, pursuant to all securities-based compensation mechanisms, including the Monarch Option Plan, may not exceed 10% of the total Monarch Shares issued and outstanding on a non-diluted basis.
4. No Monarch Option may be granted to an Eligible Participant (and to any company that is wholly owned by that person) if the Monarch Shares reserved for issuance with respect to such grant and the Monarch Options already granted exceed in a 12-month period 5% of all the issued and outstanding Monarch Shares, calculated on the Date of Grant of such Monarch Options.
5. Subject to provisions of the Amended and Updated Plan, the Expiry Date of a Monarch Option will be the 10th anniversary of the Date of Grant unless a shorter period of time is otherwise set by the Monarch Board and set forth in the Notice of Grant at the time the particular Monarch Option is granted.
6. The Expiry Date of any Monarch Options that expires during a black-out period will be extended for a period of ten Business Days following the end of such a black-out period.
7. The Vesting Dates of the Monarch Options will correspond to the vesting periods determined by the Monarch Board at the time of the grant of such Monarch Options, as set out in the Notice of Grant.
8. The Exercise Price of the Monarch Shares underlying such Monarch Options corresponds to the market price of the shares at the closing of the TSX on the exchange day immediately preceding the Date of Grant, or if no shares were negotiated on this day, the arithmetic average of the last bid and ask prices of the shares on the TSX.
9. Monarch Options (and any rights thereunder) will be non-assignable and non-transferable unless by legacy or inheritance. Monarch Options may be exercised only by the Monarch Optionholder's legal representative within the first year following the Monarch Optionholder's death.
10. The Expiry Date of a Monarch Option held by a Monarch Optionholder that became vested prior to his or her death will be the earlier of:
 - (i) the Expiry Date shown on the relevant Notice of Grant; or
 - (ii) one year following the Monarch Optionholder's death.
11. Should a person employed to perform investor relations activities cease to be an Eligible Participant for any reason other than death (such as by reason of disability, resignation, dismissal or termination of contract), then the Expiry Date of its Monarch Options vested at the latest on the date such person ceases to be an Eligible Participant (the "**Date of Termination of Investor Relations Activities**"), will be the earlier of:
 - (i) the Expiry Date shown on the relevant Notice of Grant; or
 - (ii) 30 days from the Date of Termination of Investor Relations Activities.

12. Should a person cease to be an Eligible Participant for any reason other than death or the termination of investor relations activities (such as by reason of disability, resignation, dismissal or termination of contract), then the Expiry Date of its Monarch Options vested at the latest on the date such person ceases to be an Eligible Participant (the “**Termination Date**”), will be the earlier of:
 - (i) the Expiry Date shown on the relevant Notice of Grant; or
 - (ii) one year from the Termination Date.
13. Notwithstanding anything to the contrary in the provisions of the Monarch Option Plan, if an Eligible Participant who is an Employee or Consultant of Monarch, or any of its subsidiaries, is terminated for cause (serious reason, as referenced in Article 2094 of the Civil Code of Québec), all Monarch Options held by such Eligible Participant will immediately terminate and become null, void and of no effect on the date on which Monarch, or any of its subsidiaries, gives a notice of termination for cause to such Eligible Participant.
14. Monarch Options may be exercised in whole or in part in respect of a whole number of shares at any time or from time to time prior to the Expiry Date by delivering to Monarch an Exercise Notice substantially in the form attached as Schedule “C” to the Amended and Updated Plan and a certified cheque or a bank draft payable to Monarch in an amount equal to the aggregate Exercise Price of the Monarch Shares to be purchased pursuant to the exercise of the Monarch Options.
15. In the event of an unwanted Change of Control (i) all outstanding Monarch Options then held by Monarch Optionholders which have not yet become fully vested will become fully vested, as of immediately prior to such Change of Control; and (ii) the Monarch Board may, but will not be obligated to, cancel all outstanding Monarch Options, at their fair value.
16. The Amended and Updated Plan provides for an adjustment to the number of Monarch Options granted if a stock dividend is paid on the shares or if the shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for by securities or assets of Monarch or of any other corporation.
17. Approval by the Monarch Board, Monarch Shareholders, the TSX and, as applicable, regulatory authorities will be required to make the following amendments to the Amended and Updated Plan:
 - (i) any amendment to the number or percentage of securities issuable under the Monarch Option Plan;
 - (ii) any amendment to remove or to exceed the Insider participation limit;
 - (iii) a change regarding Eligible Participants under the Monarch Option Plan that might serve to broaden or increase Insider participation;
 - (iv) the addition of a provision that would allow the transfer or assignment of a Monarch Option;
 - (v) the addition of a cashless exercise Monarch Option feature, payable in cash or securities, provided that the wording does not stipulate that the total number of underlying securities will be deducted from the number of securities reserved under the Monarch Option Plan;
 - (vi) the addition of a provision regarding deferred share units or restricted share units or any other mechanism or procedure where employees receive securities but Monarch does not receive any cash consideration;
 - (vii) any reduction of the Exercise Price of any share underlying any Monarch Options, any cancellation of a Monarch Option and the substitution of said Monarch Option by a new Monarch Option with reduced Exercise Price;
 - (viii) any extension of the Expiry Date of a Monarch Option beyond its original Expiry Date (subject to the extension of the Expiry Date further to a blackout period as provided under the Monarch Option Plan);

- (ix) any amendment to the method of determining the Exercise Price for each share underlying any Monarch Option granted under the Monarch Option Plan;
 - (x) any amendment to the amendment provisions of the Monarch Option Plan;
 - (xi) the addition of any form of financial assistance that Monarch may grant to Eligible Participants under the Monarch Option Plan to enable them to subscribe for shares following the exercise of Monarch Options.
18. The Monarch Board may, at its sole discretion, through a resolution and without shareholder approval, subject to receipt of approval from the TSX and, where required, from regulatory authorities, make all other amendments to the Monarch Option Plan that are not set out in the preceding section, in particular, without limiting the generality of the foregoing, the following:
- (i) any administrative or clerical amendment or an amendment intended to clarify the provisions of the Monarch Option Plan;
 - (ii) any amendment to the provisions governing a Monarch Option or the Monarch Option Plan relating to the vesting period;
 - (iii) a change to the termination provisions of a Monarch Option that does not entail an extension beyond the original Expiry Date; and
 - (iv) the termination of the Monarch Option Plan.
19. Pursuant to the policies of the TSX, the unallocated entitlements under the Monarch Option Plan must be approved every three years by the Registered Holders at the annual general meeting of the Monarch Shareholders.

The Monarch Shareholders approved Monarch's Monarch Option Plan at the annual general and special meeting held on January 16, 2019.

As at June 30, 2020, there were 10,487,500 Monarch Options outstanding (vested and unvested) with a weighted average exercise price of \$0.30. Such number of Monarch Options represents 3.57% of the 294,086,953 Monarch Shares outstanding as at June 30, 2020.

As of the date of the Circular, there are 12,175,000 Monarch Shares issuable upon the exercise of outstanding Monarch Options, i.e. about 3.79% of the issued and outstanding Monarch Shares. For the period from July 1, 2020 to the date of this Circular, 40,000 Monarch Options expired or were cancelled, 1,127,500 Monarch Options were exercised and 2,815,000 Monarch Options were granted under Monarch's Monarch Option Plan, and 19,945,083 Monarch Options are available for grants under the Monarch Option Plan as at the date hereof, i.e., about 6.21% of the issued and outstanding Monarch Shares.

Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

The only compensation plan of Monarch under which securities are currently authorized for issuance is the Monarch Option Plan. The following table summarizes information relating to the Monarch Shares reserved for issuance under the Monarch Option Plan as of June 30, 2020.

Plan Category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options (% of the number of Monarch Shares issued and outstanding) (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (% of the number of Monarch Shares issued and outstanding) (c)
Equity compensation plan approved by securityholders	10,487,500 ⁽¹⁾ (3.57%)	\$0.30	18 921 195 ⁽¹⁾ (6.43%)
Equity compensation plan not approved by securityholders	N/A	N/A	N/A
Total	10,487,500 ⁽¹⁾ (3.57%)	\$0.30	18 921 195 ⁽¹⁾ (6.43%)

Note:

- (1) This number is dated as at June 30, 2020. Therefore, this number will vary since the Monarch Option Plan provides that Monarch may grant Monarch Options to purchase a maximum number of Monarch Shares corresponding to 10% of the number of outstanding Monarch Shares from time to time.

Other Compensation Matters

Indebtedness of directors and executive officers

As of the date of the Circular, no executive officer, director, proposed nominee for election as a director, and each associate of any such persons, or employee, former or present, of Monarch was indebted to Monarch or Monarch's subsidiaries or to another entity where the indebtedness was subject to a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Monarch or the Monarch's subsidiaries.

Insurance and indemnification of directors and officers

Monarch carries insurance for its directors and officers in an aggregate amount of \$10,000,000 covering their civil liability in the performance of their respective duties as directors or officers. The approximate amount of premiums paid by Monarch during the fiscal year ended June 30, 2020 for this insurance was \$43,000.

CORPORATE GOVERNANCE

General Comment

The information on Monarch’s corporate governance provided hereinafter is required under NI 58-101 respecting Disclosure of Corporate Governance Practices, Form 58-101F1 and the TSX Company Manual.

The Monarch Board

Mss. Guylaine Daigle and Laurie Gaborit and Messrs. Michel Bouchard, Yohann Bouchard and Christian Pichette are independent directors.

Mr. Jean-Marc Lacoste, President and Chief Executive Officer of Monarch, is not an independent director within the meaning of Section 1.4 of NI 52-110 because he is an executive officer of Monarch.

Five of the six individuals who are proposed nominees for election as directors are independent within the meaning of Section 1.4 of NI 52-110.

The following directors are currently directors of other issuers that are also reporting issuers (or the equivalent) in a territory of Canada or in a foreign territory:

Name of Director	Issuer
Michel Bouchard	Sirios Resources Inc. Cartier Resources Inc.
Laurie Gaborit	Gold Terra Resource Corp.

The independent directors of the Monarch Board do not hold regularly scheduled meetings at which the non-independent directors and the members of management are not in attendance. However, at each regular board and committee meeting that is held, the opportunity is given to the independent directors to hold “**in camera**” sessions (i.e. sessions in the absence of non-independent directors and members of management). During the fiscal year ended June 30, 2020, the Monarch Board held a total of eight meetings, five of which were regularly scheduled meetings during which the independent directors had the opportunity to hold such “**in camera**” sessions. The independent directors did not hold any “**in camera**” session during the last financial year. In addition, at any meeting of the Monarch Board and Monarch Board committees, any independent director may request that management be absent for the duration of the meeting or any part of it.

Mr. Michel Bouchard is Chairman of the Monarch Board and is an independent director as defined in Section 1.4 of NI 52-110. As Chair of the Monarch Board, he ensures that the Monarch Board carries out its duties, responsibilities and obligations. The Chairman of the Monarch Board promotes the integrity of the Monarch Board and a culture where the Monarch Board works harmoniously in the long-term interest of Monarch and its stakeholders. He also provides independent leadership to the Monarch Board in the governance of Monarch.

The table below shows the number of Monarch Board and Monarch Board committee meetings attended by each director during the fiscal year that ended June 30, 2020

Directors	Monarch Board	Audit Committee	Compensation Committee
Michel Baril ⁽¹⁾	5/5	3/3	1/1
Michel Bouchard	8/8	4/4	N/A
Yohann Bouchard ⁽²⁾	N/A	N/A	N/A
Guy Bourassa ⁽³⁾	4/5	N/A	N/A
Guylaine Daigle ⁽⁴⁾	2/3	1/1	N/A
Laurie Gaborit ⁽⁵⁾	6/6	N/A	N/A
Christian Pichette	8/8	4/4	1/1
Jean-Marc Lacoste	8/8	N/A	N/A

Note:

- (1) Mr. Baril resigned from the Monarch Board with an effective date of April 23, 2020.
- (2) Mr. Yohann Bouchard joined the Monarch Board on June 15, 2020.
- (3) Mr. Bourassa resigned from the Monarch Board with an effective date of April 23, 2020.
- (4) Ms. Daigle joined the Monarch Board on April 23, 2020.
- (5) Ms. Gaborit joined the Monarch Board on October 28, 2019.

Monarch Board Mandate

The Monarch Board has not yet adopted a written formal mandate describing the Monarch Board's duties, responsibilities and role as well as the Monarch Board's expectations of individual directors and of management.

Primary Role and Objectives

The mandate of the Monarch Board is to supervise the management of the business and affairs of Monarch. The Monarch Board monitors the manner in which Monarch conducts its business as well as the senior management responsible for the day-to-day operations of Monarch. The Monarch Board sets Monarch's policies, assesses their implementation by management and reviews the results.

Its fundamental objectives are to enhance and preserve long-term shareholder value and to ensure that Monarch conducts business in an ethical and safe manner, having regard for the legitimate interests of its stakeholders.

The Monarch Board, either directly or through one of its committees, assumes specific responsibility for the following five (5) matters: (i) the adoption of a strategic planning process; (ii) the identification of the principal risks of Monarch's business and the implementation of appropriate systems to effectively manage these risks; (iii) the appointing, training, evaluation and monitoring of senior management as well as planning for their succession; (iv) communications with shareholders and the public at large; and (v) the integrity of Monarch's internal control and management information systems. At the end of each fiscal year, the Monarch Board receives, analyses and, where appropriate, approves a yearly plan of action and budget submitted by the President and Chief Executive Officer for the following fiscal year. Throughout the fiscal year, the Monarch Board receives periodic reports from the President and Chief Executive Officer and other senior executives to monitor Monarch's performance with reference to the adopted budget. Monarch periodically reviews its strategic plan in light of developments in the mining industry and Monarch's development. This strategic plan is produced along with five-year financial forecasts. In addition to decisions requiring formal approval by the Monarch Board pursuant to the law or Monarch's articles of incorporation and by-laws, the Monarch Board makes all important decisions concerning, among other things, major investments and significant divestitures.

Position Description

The Monarch Board has not yet established written position descriptions for the Chairman of the Monarch Board and the Chairs of Monarch Board committees. The role and responsibilities of the Chairman of the Monarch Board essentially consist of assuming sound and effective leadership to ensure the Monarch Board is adequately carrying its mandate.

Following each committee meeting, the committee chairman must report to the Monarch Board. More generally, the committee chairman must take all reasonable measures to ensure that the committee assumes its responsibilities and fulfills its specific obligations.

The Monarch Board has not yet established a written description position for the Chief Executive Officer position. The Chief Executive Officer must determine and implement the appropriate systems for each of the five (5) areas of responsibility of the Monarch Board described above (except monitoring the President and Chief Executive Officer) which the Monarch Board must review and, once approved, monitor. The Monarch Board's main expectations of Monarch's management are to protect Monarch's interests and ensure the long-term growth of shareholder value.

Orientation and Continuing Education

New directors are given the opportunity to familiarize themselves with Monarch by visiting the various mining sites and by meeting with other members of the Monarch Board and senior management. In addition, each new director is

provided with corporate policies, reports, summaries, analyses and other documents relating to his or her role and duties as a director and, more generally, to Monarch's business and affairs.

The Monarch Board encourages the directors to take relevant training programs offered by different regulatory bodies and gives them the opportunity to expand their knowledge about the nature and operations of Monarch.

Ethical Business Conduct

A director, in the exercise of his functions and responsibilities, must act with complete honesty and good faith in the best interest of Monarch. He must also act in accordance with the applicable laws, regulations and policies.

In the event of a conflict of interest, a director is required to declare the nature and extent of any material interest he has in any important contract or proposed contract of Monarch, as soon as he has knowledge of the agreement or of Monarch's intention to consider or enter into the proposed contract and in such a case, the director will abstain from voting on the subject.

As of the date of this Circular, the Monarch Board has adopted a code of ethics and business conduct for directors, officers and employees of Monarch (the "**Code of Ethics**"). Consultants and suppliers of goods and services are also required to comply with the provisions of the Code of Ethics. A copy of the Code of Ethics can be found on Monarch's website (www.monarquesgold.com under "About Us / Governance").

The Code of Ethics covers the expected conduct of each director, officer and employee of Monarch, including conflicts of interest, protection of assets, confidentiality of corporate and personal information, and the obligation to act fairly and to respect the law. The Code of Ethics is designed to promote integrity and deter wrongdoing. Each director, officer and employee is required to formally commit to comply with the Code of Ethics. The Monarch Board, by itself or through one of its committees, ensures compliance with the Code of Ethics. Given the fundamental nature of the Code of Ethics, any breach of its requirements by a member of management or an employee is grounds for termination.

Nomination of Directors

The Monarch Board designates new candidates for the position of director.

The Monarch Board carefully reviews and assesses the professional skills and abilities, the personality and other qualifications of each candidate, including the time and energy that the candidate is able to devote to this task as well as the contribution that he or she can make to the Monarch Board.

During the fiscal year ended June 30, 2019, the Monarch Board established a committee to oversee nominations composed entirely of independent directors. A charter outlining the functions, responsibilities and role of this new committee is available on Monarch's website at www.monarquesgold.com.

Compensation

During the last financial year, the Monarch Board determined the compensation of Monarch's directors and officers.

For details regarding the process of determining compensation paid to Named Executive Officers, including the Chief Financial Officer, as well as the directors of Monarch, see "*Named Executive Officer and Director Compensation – Compensation Discussion and Analysis*" of this Circular.

During the fiscal year ended June 30, 2019, the Monarch Board established a committee to oversee compensation composed entirely of independent directors. A charter outlining the functions, responsibilities and role of this new committee is available on Monarch's website at www.monarquesgold.com.

Other Monarch Board Committees

Besides the Audit Committee and the Human Resources, Compensation and Nominating Committee, the Monarch Board does not have any other standing committees.

Composition of the Monarch Board Standing Committees

As at the date of the Circular, the following directors are assigned to the standing committees of the Monarch Board as indicated below:

Committee	Directors
Audit Committee	Guyline Daigle (chair) Michel Bouchard Christian Pichette
Human Resources, Compensation and Nominating Committee	Christian Pichette (chairman) Guyline Daigle Laurie Gaborit

Assessments

Different methods are used to assess the Monarch Board, namely, surveys, interviews, group discussions and other similar methods. Given Monarch's previous and current stage of development, the Monarch Board has not yet put in place a formal and documented evaluation process.

Renewal of the Monarch Board

Monarch does not set a term of office for directors serving on the Monarch Board because it believes that setting a fixed duration or mandatory retirement age for directors would deprive Monarch of the value that long-time directors bring thanks to their knowledge of Monarch and their experience.

The informal process for annual assessment of the Monarch Board and its members has so far made it possible to determine whether the composition of the Monarch Board has remained appropriate. Such assessment serves as an ongoing mechanism for renewing the term of directors serving on the Monarch Board.

Diversity

On January 1st, 2020, amendments to the CBCA entered into force requiring new disclosure of the number of: (i) women; (ii) Aboriginal peoples; (iii) people with disabilities; and (iv) members of visible minorities (collectively, the "**Designated Groups**") on the Monarch Board and in senior management positions with Monarch.

Monarch recognizes the benefits of diversity within the Monarch Board, at the senior management level and all levels of the organization. Although the Monarch Board takes into account the representation of women on the Monarch Board when seeking and selecting candidates for the positions of directors for a first or new term, in light of Monarch's stage of development, management and the Monarch Board do not consider it necessary at this time to adopt a formal written policy on seeking and selecting women candidates, or members of other Designated Groups, for the positions of directors or members of senior management and setting a target in this regard. For the fiscal year ended June 30, 2020, and among the proposed nominees for election as directors at the Meeting, there were two women on the Monarch Board, Mmes. Guyline Daigle and Laurie Gaborit (33.33%).

For senior management, the Monarch Board considers representation by women when making appointments but, in light of Monarch's stage of development, management and the Monarch Board do not consider it necessary at this time to set a target for the representation of women or members of other Designated Groups at the senior management level. The Monarch Board considers above all each candidate's qualifications and competencies to create as much value as possible for Monarch. For the fiscal year ended June 30, 2020, there were no women or member of other Designated Groups among the members of senior management of Monarch (0%).

The Monarch Board has not adopted a formal policy relating to term limits for directors. The Monarch Board strives to be constituted to achieve a balance between experience and the need for renewal and fresh perspective. The Monarch Board does not believe such policy is appropriate given Monarch's size and stage of development.

Audit Committee

Information relating to Monarch's Audit Committee is available under the section entitled "Audit Committee" of Monarch AIF for the fiscal year ended June 30, 2020. A copy of this document has been filed by Monarch under its profile on SEDAR at www.sedar.com.

OTHER INFORMATION

Indebtedness of Directors and Executive Officers

At no time during the financial year ended June 30, 2020 or within 30 days of the date of this Circular has any director, officer or employee, or former director, officer or employee, of Monarch or any of its subsidiaries, or any associate or affiliate of any such director, officer or employee, been indebted to Monarch.

Other Matters

Management of Monarch is not aware of any matters to come before the Meeting other than as set forth in the Notice of Meeting that accompanies this Circular. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Monarch Shares represented thereby in accordance with their best judgment on such matter.

Interests of Informed Persons in Material Transactions

Other than as disclosed in this Circular or the documents incorporated by reference herein, since July 1, 2019, no informed person or anyone associated or affiliated with any of them, has or had any material interest, direct or indirect, in any transaction since the beginning of Monarch's most recently completed financial year or proposed transaction which has materially affected or would materially affect Monarch or any of its respective subsidiaries or affiliates.

Interests of Certain Persons in Matters to be Acted upon

Other than as disclosed in this Circular, none of Monarch, Monarch's directors or executive officers, or anyone associated or affiliated with any of them, has or had a material interest in any item of business at the Meeting. A material interest is one that could reasonably interfere with the ability to make independent decisions.

Auditors

The auditor of Monarch is KPMG LLP, Chartered Professional Accountants.

The auditor of Yamana is Deloitte LLP, Independent Registered Public Accounting Firm.

Interests of Experts

The consolidated financial statements of Monarch incorporated by reference in this Circular have been audited by KPMG LLP, as stated in their report which is also incorporated herein by reference. KPMG LLP is independent with respect to Monarch within the meaning of the relevant rules and related interpretations prescribed by the relevant bodies in Canada. All tax related matters relating to the Arrangement have been passed upon by KPMG LLP.

Deloitte LLP, Independent Registered Public Accounting Firm, is independent with respect to Yamana within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and within the meaning of the U.S. Securities Act of 1933, as amended, and the applicable rules and regulations thereunder adopted by the SEC and the PCAOB.

Stifel Nicolaus Canada Inc. is named in this Circular as having prepared or certified a report, statement or opinion in this Circular, specifically the Fairness Opinion. See "*The Arrangement – Fairness Opinion*". Except for the fees to be paid to Stifel Nicolaus Canada Inc., to the knowledge of Monarch, none of the financial advisors, the directors, officers, employees and partners, as applicable, beneficially owns, directly or indirectly, 1% or more of the outstanding securities of Monarch or any of its associates or affiliates, has received or will receive any direct or indirect interests in the property of Monarch or any of its associates or affiliates, or is expected to be elected, appointed or employed as a director, officer or employee of Monarch or any associate or affiliate thereof.

Carl Caumartin, P. Eng., Alain Dorval, P. Eng., John Henning, P. Eng., Richard Jundis, P. Eng., Luciano Piciacchia, P. Eng. and Tudorel Ciuculescu, P. Geo have acted as “qualified persons” within the meaning of NI 43-101 on the Wasamac Technical Report related to the Wasamac Property contained in this Circular, or incorporated by reference herein. To Monarch’s knowledge, each of the foregoing firms or persons beneficially owns, directly or indirectly, less than 1% of the issued and outstanding Monarch Shares.

The technical and scientific information contained in this Circular or in the documents incorporated by reference herein, as it relates to Monarch or SpinCo, was reviewed and approved in accordance with NI 43-101 by Marc-André Lavergne, P.Eng., Vice President, Operations and Community Relations of Monarch and a “Qualified Person” as defined in NI 43-101. To Monarch’s knowledge, Mr. Lavergne beneficially owns, directly or indirectly, less than 1% of the issued and outstanding Monarch Shares.

Additional Information

Additional information relating to Monarch has been filed by Monarch under its profile on SEDAR at www.sedar.com.

The financial information concerning Monarch is provided in the Monarch Annual Financial Statements and Monarch Annual MD&A, as well as in the Monarch Interim Financial Statements and related management’s discussion and analysis, all of which have been filed by Monarch under its profile on SEDAR at www.sedar.com, together with Monarch’s other public disclosure. Monarch Shareholders requesting a copy of the Monarch Annual Financial Statements and Monarch Annual MD&A may do so as follows: by telephone at 1 (888) 994-4465; by e-mail at info@monarquesgold.com; and by mail at Monarch Gold Corporation, 68, Avenue de la Gare, Suite 205, Québec, Québec J0R 1R0, Attention: Mr. Jean-Marc Lacoste.

LEGAL MATTERS

Except for tax related matters, certain other Canadian legal matters in connection with the Arrangement have been passed upon by Stein Monast LLP on behalf of Monarch. As of the date hereof, the partners and associates of Stein Monast LLP as a group beneficially owned, directly or indirectly, less than 1% of the Monarch Shares and less than 1% of the SpinCo Shares.

APPROVAL OF DIRECTORS

The contents and sending of this Circular, including the Notice of Meeting, have been approved and authorized by the Monarch Board.

BY ORDER OF THE BOARD OF DIRECTORS OF MONARCH GOLD CORPORATION

“Jean-Marc Lacoste”

Jean-Marc Lacoste
President, Chief Executive Officer
and Director

**APPENDIX A
ARRANGEMENT RESOLUTION**

**RESOLUTION OF THE SECURITYHOLDERS
OF MONARCH GOLD CORPORATION (the “Corporation”)**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

A. The arrangement (as it may be modified or amended, the “**Arrangement**”) under Section 192 of the *Canada Business Corporations Act* (the “**BCA**”) involving the Corporation and Yamana Gold Inc. (the “**Purchaser**”), all as more particularly described and set forth in the plan of arrangement (as it may be modified or amended, the “**Plan of Arrangement**”) attached as Appendix A to the Management Information Circular of the Corporation dated November 30, 2020 (the “**Information Circular**”), is hereby authorized, approved and agreed to.

B. The Arrangement Agreement dated as of November 1, 2020 between the Corporation and the Purchaser (as it may be amended from time to time, the “**Arrangement Agreement**”), the actions of the directors of the Corporation in approving the Arrangement and the Arrangement Agreement and the actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement and causing the performance by the Corporation of its obligations thereunder are hereby confirmed, ratified, authorized and approved.

C. Notwithstanding that this resolution has been passed (and the Arrangement approved and agreed to) by shareholders and optionholders of the Corporation (the “**Securityholders**”) or that the Arrangement has been approved by the Québec Superior Court of Justice, the directors of the Corporation are hereby authorized and empowered without further approval of any Securityholders of the Corporation (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or Plan of Arrangement and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement) and revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement.

D. Any one director or officer of the Corporation is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Corporation, to execute or cause to be executed, and to deliver or to cause to be delivered, for filing with the Director under the BCA articles of arrangement and all such other documents and to do or to cause to be done all such other acts and things as in such person’s opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

APPENDIX B
PLAN OF ARRANGEMENT UNDER SECTION 192
OF THE *CANADA BUSINESS CORPORATIONS ACT*

See attached.

**PLAN OF ARRANGEMENT UNDER SECTION 192
OF THE CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1.
DEFINITIONS AND INTERPRETATION**

Section 1.1 Definitions.

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

- (a) “**Arrangement**” means the arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 7.1 of the Arrangement Agreement or Article 7 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and the Purchaser, each acting reasonably;
- (b) “**Arrangement Agreement**” means the agreement made as of November 1, 2020 between the Company and the Purchaser, including the schedules thereto, as the same may be supplemented or amended from time to time;
- (c) “**Arrangement Resolution**” means the special resolution to be considered and, if thought fit, passed by the Company Securityholders, voting as a single class, at the Company Meeting to approve the Arrangement, substantially in the form set out in Schedule “B” to the Arrangement Agreement;
- (d) “**Articles of Arrangement**” means the articles of arrangement of the Company in respect of the Arrangement, to be filed with the Director after the Final Order is made, which shall include this Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably;
- (e) “**Business Day**” means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Montreal, Québec or in Toronto, Ontario are authorized or required by applicable Law to be closed;
- (f) “**Canadian Resident**” means a beneficial owner of Company Shares immediately prior to the Effective Time who is a resident of Canada for purposes of the Tax Act and any applicable income tax treaty or convention (other than a Tax Exempt Person), or a partnership any member of which is a resident of Canada for the purposes of the Tax Act and any applicable income tax treaty or convention (other than a Tax Exempt Person);
- (g) “**CBCA**” means the *Canada Business Corporations Act* including all regulations made thereunder;
- (h) “**Certificate of Arrangement**” means the certificate of arrangement issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement;
- (i) “**Company**” means Monarch Gold Corporation, a corporation incorporated under the federal laws of Canada;
- (j) “**Company Board**” means the board of directors of the Company;

- (k) **“Company Certificated Warrants”** means the warrants, including for greater certainty, the compensation warrants, to acquire Company Shares issued pursuant to certain standalone warrant certificates of the Company, as set forth in Section 1.1 of the Company Disclosure Letter;
- (l) **“Company Class A Shares”** has the meaning ascribed to such term in Section 3.2(h)(i);
- (m) **“Company Common Shares”** means the common shares in the capital of the Company;
- (n) **“Company Disclosure Letter”** means the letter delivered by the Company to the Purchaser with respect to certain matters in the Arrangement Agreement;
- (o) **“Company Dissent Procedures”** means the procedures to be taken by a Company Shareholder in exercising Company Dissent Rights;
- (p) **“Company Dissent Rights”** means the rights of dissent in respect of the Arrangement as contemplated in this Plan of Arrangement;
- (q) **“Company In-The-Money Option”** means a Company Option having an In-the-Money Amount;
- (r) **“Company Indenture Warrants”** means the warrants to acquire Company Shares issued pursuant to the Company Warrant Indenture, as set forth in Section 1.1. of the Company Disclosure Letter;
- (s) **“Company Meeting”** means the special meeting of the Company Securityholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order for the purpose of considering and, if thought fit, approving the Arrangement Resolution;
- (t) **“Company Option Plan”** means the Amended and Restated 2011 Stock Option Plan as adopted by the Company Board on October 28, 2011 and amended as of November 2, 2012, December 16, 2013, August 4, 2017 and May 22, 2018;
- (u) **“Company Option”** means an option to acquire a Company Common Share granted pursuant to the Company Option Plan, which is outstanding and unexercised, whether or not vested, at the Effective Time and shall include all Company In-the-Money Options and all Company Out-of-the-Money Options;
- (v) **“Company Optionholder”** means a holder of one or more Company Options;
- (w) **“Company Option Shares”** means the Company Shares to be issued to holders of Company In-the-Money Options pursuant to Section 3.2(d) of the Plan of Arrangement;
- (x) **“Company Out-of-the-Money Option”** means a Company Option that is not a Company In-The-Money Option;
- (y) **“Company Securityholders”** means, collectively, the Company Shareholders and the Company Optionholders;
- (z) **“Company Shareholder”** means a holder of one or more Company Shares;
- (aa) **“Company Shares”** means the Company Common Shares or the Company Class A Shares, as applicable;
- (bb) **“Company Warrantholder”** means a holder of one or more Company Warrants;

- (cc) “**Company Warrants**” means, collectively, the Company Certificated Warrants and the Company Indenture Warrants;
- (dd) “**Company Warrant Indenture**” means the warrant indenture between the Company and Computershare Trust Company of Canada, as warrant agent, dated as of September 17, 2020 governing the Company Warrants that are currently exercisable to purchase one Company Share at a price of \$0.60 until September 17, 2022;
- (ee) “**Consideration**” means the consideration to be received pursuant to the Plan of Arrangement in respect of each Company Share that is issued and outstanding immediately prior to the Effective Time, consisting of (i) the Purchaser Share Consideration; (ii) the Purchaser Cash Consideration; and (iii) 0.2 of a SpinCo Share;
- (ff) “**Court**” means the Québec Superior Court of (commercial division) in the district of Québec;
- (gg) “**CRA**” means the Canada Revenue Agency;
- (hh) “**Depository**” means AST Trust Company, or any other trust company, bank or other financial institution agreed to in writing by the Company and the Purchaser, appointed for the purposes of, among other things, exchanging certificates representing Company Shares for the Consideration in connection with the Arrangement;
- (ii) “**Director**” means the director appointed pursuant to Section 260 of the CBCA;
- (jj) “**Dissenting Company Shareholder**” means a registered holder of Company Shares who has duly and validly exercised the Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;
- (kk) “**Dissenting Shares**” means the Company Shares held by Dissenting Company Shareholders in respect of which such Dissenting Company Shareholders have given Notice of Dissent;
- (ll) “**Distribution SpinCo Shares**” has the meaning ascribed to such term in Section 3.2(f);
- (mm) “**Effective Date**” means the date upon which the Arrangement becomes effective as shown on the Certificate of Arrangement;
- (nn) “**Effective Time**” means 12:01 a.m. (Toronto time) on the Effective Date or such other time as the Company and the Purchaser may agree upon in writing prior to the Effective Date;
- (oo) “**Eligible Holder**” means: (i) a Canadian Resident, or (ii) an Eligible Non-Resident;
- (pp) “**Eligible Non-Resident**” means a Non-Resident Shareholder whose Company Shares are “taxable Canadian property” and not “treaty-protected property”, in each case as defined in the Tax Act;
- (qq) “**Encumbrance**” means any mortgage, hypothec, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (rr) “**Fair Market Value**” with reference to:

- (i) a Purchaser Share means the amount that is the closing price of the Purchaser Shares on the TSX on the last trading day immediately prior to the Effective Date;
- (ii) a Company Class A Share means the amount that is the sum of the Fair Market Value of a Purchaser Share multiplied by 0.0376 plus \$0.192;
- (iii) a SpinCo Share means the amount determined by subtracting the Fair Market Value of a Company Class A Share from the closing price of the Company Common Shares on the TSX on the last trading day immediately before the Effective Date and dividing the difference by 0.2;
- (ss) “**Final Order**” means the order of the Court approving the Arrangement, in a form acceptable to the Company and Purchaser, each acting reasonably, granted pursuant to Section 192(4)(e) of the CBCA, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided that any such amendment is acceptable to the Company and the Purchaser, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied;
- (tt) “**final proscription date**” has the meaning ascribed to such term in Section 6.5;
- (uu) “**Former Company Optionholders**” means, at and following the Effective Time, the holders of Company Options immediately prior to the Effective Time;
- (vv) “**Former Company Shareholders**” means, at and following the Effective Time, the holders of Company Shares immediately prior to the Effective Time;
- (ww) “**Former Company Warrantholders**” means, at and following the Effective Time, the holders of Company Warrants immediately prior to the Effective Time;
- (xx) “**Governmental Authority**” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including any stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing;
- (yy) “**holder**”, when used with reference to any securities of the Company, means the holder of such securities shown from time to time in the central securities register maintained by or on behalf of the Company in respect of such securities;
- (zz) “**Initial SpinCo Share**” means one SpinCo Share, to be issued by SpinCo to the Company prior to the Effective Date;
- (aaa) “**In-The-Money Amount**” means, in respect of a Company Option, the amount, if any, by which the aggregate closing price of the Company Common Shares that a holder is entitled to acquire on exercise of the Company Option immediately prior to the Effective Time exceeds the aggregate exercise price of such Company Option;

- (bbb) “**Interim Order**” means the interim order of the Court, to be issued following application therefor contemplated by Section 2.2.(b) of the Arrangement Agreement, after being informed of the intention to rely upon the exemption from registration under Section 3(a)(10) of the U.S. Securities Act with respect to the Purchaser Shares, the SpinCo Shares and the Company Option Shares issued pursuant to the Arrangement, in form and substance acceptable to the Company and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both the Company and the Purchaser, each acting reasonably;
- (ccc) “**Letter of Transmittal**” means the letter of transmittal sent by the Company to the Company Shareholders for use in connection with the Arrangement, providing for the delivery of certificates representing Company Shares to the Depository;
- (ddd) “**Non-Resident**” means a person that, immediately prior to the Effective Time, is not, and is not deemed to be, a resident of Canada for the purposes of the Tax Act and any applicable income tax treaty or convention;
- (eee) “**Non-Resident Shareholder**” means a Company Shareholder that is (i) a Non-Resident, or (ii) partnership of which a Non-Resident is a member;
- (fff) “**Notice of Dissent**” means a notice of dissent duly and validly given by a registered holder of Company Shares exercising Dissent Rights as contemplated in the Interim Order and as described in Article 5;
- (ggg) “**Parties**” means, together, the Purchaser and the Company, and “**Party**” means either one of them;
- (hhh) “**Person**” means an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrative legal representative, Governmental Entity or any other entity, whether or not having legal status;
- (iii) “**Plan of Arrangement**” means this plan of arrangement proposed under Section 192 of the CBCA, including any appendices hereto, and any amendments, modifications or supplements hereto made from time to time in accordance with the terms hereof or made at the direction of the Court in the Final Order, with the consent of the Company and the Purchaser, each acting reasonably;
- (jjj) “**Purchaser**” means Yamana Gold Inc., a corporation formed under the federal laws of Canada;
- (kkk) “**Purchaser Cash Consideration**” means \$0.192 in cash payable by the Purchaser as a component of the Consideration payable for each Company Common Share or Company Class A Share, as the case may be, acquired by the Purchaser pursuant to the Arrangement;
- (lll) “**Purchaser Share Consideration**” means 0.0376 of a Purchaser Share issuable as a component of the Consideration payable by the Purchaser in exchange for each Company Common Share or Company Class A Share, as the case may be, acquired pursuant to the Arrangement (and including Purchaser Shares to be issued upon exercise of Purchaser Replacement Warrants and upon exercise of the Company Indenture Warrants);
- (mmm) “**Purchaser Share Exchange Ratio**” means 0.0376 of a Purchaser Share;
- (nnn) “**Replacement Purchaser Warrant**” means a warrant to purchase from the Purchaser 0.0376 of a Purchaser Share (and when aggregated with the other similar Replacement Purchaser Warrants of

a holder of such Company Certificated Warrants resulting in a fraction of a Purchaser Share, they shall be rounded down to the nearest whole number of Purchaser Shares). Each Replacement Purchaser Warrant shall provide for an exercise price per Replacement Purchaser Warrant (rounded up to the nearest whole cent) equal to the exercise price per Purchaser Share that would otherwise be payable to acquire a Company Common Share pursuant to the Company Certificated Warrant it replaces less \$0.192 and less the exercise price of the Replacement SpinCo Warrant. The term of expiry, conditions to and manner of exercise (provided any Replacement Purchaser Warrant shall be exercisable at the offices of the Purchaser or its transfer agent) and other terms and conditions of each Replacement Purchaser Warrant shall be as nearly equivalent as practicable as the terms and conditions of the certificates governing such Company Certificated Warrant for which it is exchanged;

- (ooo) “**Replacement SpinCo Warrant**” means a warrant to purchase from SpinCo 0.2 of a SpinCo Share (and when aggregated with the other similar Replacement SpinCo Warrants of a holder of such Company Certificated Warrants resulting in a fraction of a SpinCo Share, they shall be rounded down to the nearest whole number of SpinCo Shares). Each Replacement SpinCo Warrant shall provide for an exercise price per SpinCo Share determined by the following formula (rounded up to the nearest whole cent):

$$(\text{original exercise price per Company Common Share} \times (\text{Fair Market Value of a SpinCo Share} \times 0.2)) / (\text{Fair Market Value of a Company Class A Share} + (\text{Fair Market Value of a SpinCo Share} \times 0.2))$$

The term of expiry, conditions to and manner of exercise (provided any Replacement SpinCo Warrant shall be exercisable at the offices of SpinCo or its transfer agent) and other terms and conditions of each Replacement SpinCo Warrant shall be as nearly equivalent as practicable as the terms and conditions of the certificates governing such Company Certificated Warrant for which it is exchanged;

- (ppp) “**Section 85 Election**” has the meaning ascribed to such term in Section 3.3(c);
- (qqq) “**SpinCo**” means a corporation to be incorporated under the CBCA, under a name to be determined by the Company prior to the Effective Time) prior to the Effective Time;
- (rrr) “**SpinCo Conveyance Agreement**” has the meaning ascribed to such term in the Arrangement Agreement;
- (sss) “**SpinCo Exchange Ratio**” means 0.2 of a SpinCo Share;
- (ttt) “**SpinCo Liabilities**” has the meaning ascribed to such term in the Arrangement Agreement;
- (uuu) “**SpinCo Assets**” has the meaning ascribed to such term in the Arrangement Agreement;
- (vvv) “**SpinCo Shares**” means common shares in the capital of SpinCo;
- (www) “**Tax Act**” means the *Income Tax Act* (Canada) including all regulations thereunder, as amended;
- (xxx) “**Tax Exempt Person**” means a person who is exempt from tax under Part I of the Tax Act;
- (yyy) “**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder;

(zzz) “**U.S. Tax Code**” means the United States *Internal Revenue Code of 1986*, as amended; and

(aaaa) “**Yamana Company Warrants**” means the Company Certificated Warrants issued to the Purchaser, as set forth in Section 1.1. of the Company Disclosure Letter.

Words and phrases used herein that are defined in the Arrangement Agreement and not defined herein shall have the same meaning herein as in the Arrangement Agreement, unless the context otherwise requires. Words and phrases used herein that are defined in the CBCA and not defined herein or in the Arrangement Agreement shall have the same meaning herein as in the CBCA, unless the context otherwise requires.

Section 1.2 Interpretation Not Affected by Headings.

The division of this Plan of Arrangement into Articles, Sections, Paragraphs and Subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or other portion hereof and include any instrument supplementary or ancillary hereto.

Section 1.3 References to Articles, Sections, etc.

Unless otherwise indicated, references in this Plan of Arrangement to any Article, Section, Paragraph, Subparagraph or portion thereof are a reference to the applicable Article, Section, Paragraph, Subparagraph or portion thereof in this Plan of Arrangement.

Section 1.4 Number, Gender and Persons.

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and the word Person and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof) and any other entity or group of persons of any kind or nature whatsoever.

Section 1.5 Date for Any Action.

In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

Section 1.6 Statutory References.

Unless otherwise indicated, references in this Plan of Arrangement to any statute include all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.

Section 1.7 Currency.

Unless otherwise stated, all references to currency herein are expressed in lawful money of Canada, and "\$" refers to Canadian dollars.

Section 1.8 Governing Law.

This Plan of Arrangement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Québec and the laws of Canada applicable therein.

Section 1.9 Time.

Time shall be of the essence in every matter or action contemplated hereunder. All references to time are to local time, Toronto, Ontario.

**ARTICLE 2.
EFFECT OF ARRANGEMENT**

Section 2.1 Arrangement Agreement.

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein. This Plan of Arrangement constitutes an arrangement as referred to in Section 192 of the CBCA. If there is any inconsistency or conflict between the provisions of this Plan of Arrangement and the provisions of the Arrangement Agreement, the provisions of this Plan of Arrangement shall govern.

Section 2.2 Binding Effect.

This Plan of Arrangement shall, without any further authorization, act or formality on the part of any person, become effective at the Effective Time and, at and after the Effective Time, shall be binding on: (a) the Company; (b) the Purchaser; (c) SpinCo; (d) the Former Company Shareholders (including all Dissenting Company Shareholders) and beneficial owners of Company Shares; (e) the Former Company Optionholders; (f) the Former Company Warrantholders; (g) the Depositary; and (h) the registrar and transfer agent in respect of the Company Shares, in each case without any further authorization, act or formality on the part of any Person, except as expressly provided herein.

Section 2.3 Effect of the Arrangement.

The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions in Article 3 has become effective in the sequence set out therein.

**ARTICLE 3.
ARRANGEMENT**

Section 3.1 Preliminary Steps Prior to the Arrangement.

The following preliminary steps shall occur prior to, and shall be conditions precedent to, the implementation of the Plan of Arrangement:

- (a) the Company shall have incorporated SpinCo pursuant to the CBCA;
- (b) the Company shall have subscribed for the Initial SpinCo Share for \$1.00 and SpinCo shall have issued the Initial SpinCo Share to the Company;
- (c) the initial directors of SpinCo shall be appointed and shall have consented to act as directors of SpinCo in accordance with the CBCA, to hold office until the next annual meeting of the shareholders of SpinCo or until their successors are elected or appointed;

- (d) the Company, SpinCo and the Purchaser shall have entered into the SpinCo Conveyance Agreement; and
- (e) SpinCo shall not have any issued and outstanding shares other than the Initial SpinCo Share, and SpinCo shall not have carried on any business prior to the Effective Date.

Section 3.2 Arrangement.

Commencing at the Effective Time, the following events or transactions shall occur and shall be deemed to occur in the following sequence without any further act or formality:

- (a) each Company Common Share held by a Dissenting Company Shareholder shall be, and shall be deemed to be, surrendered to the Company by the holder thereof, without any further act or formality by or on behalf of the Dissenting Company Shareholder, free and clear of all Encumbrances, and each such Company Common Share so surrendered shall be cancelled and thereupon each Dissenting Company Shareholder shall cease to have any rights as a holder of such Company Common Shares other than a claim against the Company in an amount determined and payable in accordance with Article 5 and the name of such Dissenting Company Shareholder shall be removed from the securities register of holders of Company Common Shares;
- (b) concurrently with the surrender and cancellation of Company Common Shares held by Dissenting Company Shareholders pursuant to Section 3.2(a), the stated capital account maintained by the Company in respect of the Company Common Shares shall be reduced, in respect of the Company Common Shares cancelled pursuant to Section 3.2(a), by an amount equal to the product obtained when (A) the stated capital of all the issued and outstanding Company Common Shares immediately prior to the step in Section 3.2(a), is multiplied by (B) a fraction, the numerator of which is the number of Company Common Shares surrendered and cancelled pursuant to Section 3.2(a), and the denominator of which is the number of issued and outstanding Company Common Shares immediately prior to the step in Section 3.2(a);
- (c) each Company Out-Of-The-Money Option will be cancelled without any payment in respect thereof and the holder thereof will cease to be the holder of such Company Option, will cease to have any rights as a holder in respect of such Company Option, will be removed from the register of the Company Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of the Company, SpinCo nor the Purchaser shall have any further liabilities or obligations to the Former Company Optionholders with respect thereto;
- (d) each Company In-The-Money Option will be surrendered and cancelled and the relevant Company Optionholder will receive a payment from the Company, in the form of Company Option Shares, having a fair market value equal to the relevant In-the-Money Amount, net of applicable source deductions, and the Company Option Shares issuable in connection therewith will be deemed to be issued to such Company Optionholder as fully paid and non-assessable Company Common Shares, provided that no share certificates shall be issued with respect to such Company Option Shares, and the holder thereof will cease to be the holder of such Company Option, will cease to have any rights as a holder in respect of such

Company Option, will be removed from the register of the Company Options, and all option agreements, grants and similar instruments relating thereto will be cancelled, and none of the Company, SpinCo nor the Purchaser shall have any further liabilities or obligations to the Former Company Optionholders with respect thereto;

- (e) the Company Stock Option Plan shall be terminated, and none of the Company, SpinCo nor the Purchaser shall have any further liabilities or obligations to the Former Company Optionholders thereunder;
- (f) the Company shall transfer all of its entire legal and beneficial right, title and interest in and to the SpinCo Assets to SpinCo in consideration for (i) the issuance by SpinCo to the Company of that number of fully paid and non-assessable SpinCo Shares (the “**Distribution SpinCo Shares**”) equal to the product of 0.2 multiplied by the number of Company Common Shares issued and outstanding immediately prior to the transfer in this Section 3.2(f) (for the avoidance of doubt, excluding any Company Common Shares in respect of which Dissenting Company Shareholders have exercised Company Dissent Rights) and (ii) the assumption by SpinCo of the SpinCo Liabilities, all in accordance with the terms of the SpinCo Conveyance Agreement;
- (g) each Company Common Share held by a Non-Resident Shareholder (excluding, for the avoidance of doubt, any Company Common Shares surrendered and cancelled in accordance with Section 3.2(a)) shall be deemed to be transferred and assigned, without any further act or formality on the part of the Non-Resident Shareholder, to the Purchaser (free and clear of any Encumbrances), in exchange for the Consideration (including the right to receive the SpinCo Shares forming part of the Consideration which shall be delivered by the Purchaser pursuant to Section 3.2(j)), and upon such transfer:
 - (i) each such Non-Resident Shareholder shall be removed from the securities register of holders of Company Common Shares;
 - (ii) each such Non-Resident Shareholder shall be entered in the securities register of holders of Purchaser Shares in respect of the Purchaser Shares issued to such holder; and
 - (iii) the Purchaser shall be entered in the securities register of holders of Company Common Shares as the legal and beneficial owner of the Company Common Shares transferred to it pursuant to this Section 3.2(g), free and clear of any Encumbrances;
- (h) in the course of a reorganization of the Company’s authorized and issued share capital:
 - (i) the articles of the Company shall be amended to add a class of shares designated as “Class A Shares” (the “**Company Class A Shares**”), having the following rights, privileges, restrictions and conditions attaching thereto:
 - (A) Dividends: The holders of the Class A Shares are entitled to receive dividends, if, as and when declared by the Company Board out of the assets of the Company properly applicable to the

payment of dividends in such amounts and payable at such times and at such place or places in Canada as the Company Board may from time-to-time determine. Subject to the rights of the holders of any other class of shares of the Company entitled to receive dividends in priority to or rateably with the Class A Shares, the Company Board may in its sole discretion declare dividends on the Class A Shares to the exclusion of any other class of shares of the Company;

- (B) Voting Rights: The holders of the Class A Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Company, and to two votes at all such meetings in respect of each Class A Share held;
 - (C) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Shares shall, subject to the rights of the holders of any other class of shares of the Company upon such a distribution in priority to the Class A Shares, be entitled to participate rateably in any distribution of the assets of the Company; and
 - (D) Modification of Rights: The rights and restrictions attached to the Class A Shares shall not be modified unless the holders of the Class A Shares consent thereto by separate resolution. Such consent may be obtained in writing signed by the holders of all of the issued and outstanding Class A Shares or by a resolution passed by at least 75% of the votes cast at a separate meeting of the holders of Class A Shares who are present in person or represented by proxy at such meeting;
- (ii) each issued and outstanding Company Common Share (including any Company Common Shares acquired by the Purchaser from a Non-Resident Shareholder in accordance with Section 3.2(g) but excluding, for the avoidance of doubt, any Company Common Shares surrendered and cancelled in accordance with Section 3.2(a)) shall be exchanged with the Company (free and clear of any Encumbrances) for one Company Class A Share and 0.2 of a Distribution SpinCo Share, and upon such exchange:
- (A) each such exchanged Company Common Share shall be cancelled, and the holders of such exchanged Company Common Shares shall be removed from the register of holders of Company Common Shares;
 - (B) each holder of such exchanged Company Common Shares shall be entered in the register of holders of Company Class A Shares in respect of the Company Class A Shares issued to such holder; and
 - (C) each holder of such exchanged Company Common Shares shall be entered in the register of holders of SpinCo Shares in respect

of the Distribution SpinCo Shares transferred to such holder by the Company;

- (iii) concurrently with the exchange in Section 3.2(h)(ii), the stated capital account maintained in respect of the Company Common Shares shall be reduced by an amount equal to the stated capital of the Company Common Shares immediately prior to the step in Section 3.2(b), and there shall be added to the stated capital account of the Company Class A Shares issued pursuant to Section 3.2(h)(ii) the amount by which (A) the amount the stated capital account of the Company Common Shares is reduced pursuant to this Section 3.2(h)(iii) exceeds (B) the fair market value of the Distribution SpinCo Shares transferred to holders of the Company Class A Shares pursuant to Section 3.2(h)(ii);
- (i) the Initial SpinCo Share held by the Company shall be cancelled without any payment therefor, and the Company shall be removed from the register of holders of SpinCo Shares;
- (j) the Purchaser shall deliver to each Non-Resident Shareholder whose Company Common Shares were transferred to the Purchaser pursuant to Section 3.2(g) such number of SpinCo Shares as are deliverable by the Purchaser to such Non-Resident Shareholder pursuant to Section 3.2(g), and upon such delivery the Purchaser shall be removed from the securities register of holders of SpinCo Shares and each such Non-Resident Shareholder shall be entered in the securities register of holders of SpinCo Shares in respect of the SpinCo Shares delivered to such Non-Resident Shareholder;
- (k) each Company Class A Share (excluding any Company Class A Shares held by the Purchaser) issued pursuant to Section 3.2(h)(ii) shall be and shall be deemed to be transferred and assigned by the holder thereof, without any further act or formality on its part, to the Purchaser (free and clear of any Encumbrances), in exchange for the Purchaser Share Consideration and the Purchaser Cash Consideration, and upon such exchange:
 - (i) each such holder (other than the Purchaser) of such exchanged Company Class A Shares shall be removed from the securities register of holders of Company Class A Shares;
 - (ii) each such holder (other than the Purchaser) of such exchanged Company Class A Shares shall be entered in the securities register of holders of Purchaser Shares in respect of the Purchaser Shares issued to such holder; and
 - (iii) Purchaser shall be entered in the securities register of holders of Company Class A Shares as the legal and beneficial owner of the Company Class A Shares transferred to it pursuant to this Section 3.2(k), free and clear of any Encumbrances;
- (l) each Company Certificated Warrant outstanding immediately prior to the Effective Time (other than Company Certificated Warrants owned by the Purchaser) shall be exchanged by the holder thereof, without any further act or formality and free and clear of all Encumbrances, for:

- (i) a Replacement Purchaser Warrant; and
- (ii) a Replacement SpinCo Warrant;
- (m) the Company Certificated Warrants (other than the Company Certificated Warrants owned by the Purchaser) shall be cancelled and the holder thereof will cease to be the holder of such Company Certificated Warrants, will cease to have any rights as a holder in respect of such Company Certificated Warrants, will be removed from the register of the Company Warrants, and all warrant certificates, grants and similar instruments relating thereto will be cancelled, and none of the Company, SpinCo nor the Purchaser shall have any further liabilities or obligations to the Former Company Warrantholders with respect thereto;
- (n) the Yamana Company Warrants outstanding immediately prior to the Effective Time shall be exchanged by the Purchaser, without any further act or formality and free and clear of all Encumbrances, for a Replacement SpinCo Warrant;
- (o) the Yamana Company Warrants shall be cancelled and the Purchaser will cease to be the holder of such Company Certificated Warrants, will cease to have any rights as a holder in respect of such Company Certificated Warrants, will be removed from the register of the Company Warrants, and all warrant certificates, grants and similar instruments relating thereto will be cancelled, and none of the Company nor SpinCo shall have any further liabilities or obligations to the Purchaser with respect thereto; and
- (p) the Company will file an election with the CRA to cease to be a public corporation for the purposes of the Tax Act.

The transfers, exchanges and cancellations provided for in this Section 3.2 will be deemed to occur on the Effective Date, notwithstanding that certain of the procedures related thereto are not completed until after the Effective Date.

Section 3.3 Certificates, Payments and Tax Elections.

- (a) Following the receipt of the Final Order and Prior to filing the Articles of Arrangement:
 - (i) the Purchaser shall deliver or arrange to be delivered to the Depositary sufficient Purchaser Shares required to be issued to satisfy the Purchaser Share Consideration, and the aggregate amount of cash to satisfy the Purchaser Cash Consideration required to be paid, to Former Company Shareholders in accordance with the provisions of Section 3.2, which Purchaser Shares and cash shall be held by the Depositary as agent and nominee for Former Company Shareholders for distribution to such Former Company Shareholders in accordance with the provisions of Article 6; and
 - (ii) SpinCo shall deliver or arrange to be delivered to the Depositary sufficient SpinCo Shares required to be issued to satisfy the SpinCo Share Consideration to Former Company Shareholders in accordance with the provisions of Section 3.2, which SpinCo Shares shall be held by the Depositary as agent and nominee for Former Company Shareholders for distribution to such Former Company Shareholders in accordance with the provisions of Article 6.

- (b) Subject to the provisions of Article 6, and upon return of a properly completed Letter of Transmittal by a registered Former Company Shareholder, together with certificates representing Company Common Shares and such other documents as the Depository may require, the Former Company Shareholder shall be entitled to receive delivery of the Purchaser Shares, SpinCo Shares and a cash payment representing the Purchaser Cash Consideration to which it is entitled pursuant to Section 3.2 upon completion of the Arrangement.
- (c) An Eligible Holder whose Company Common Shares or Class A Shares, as applicable, are exchanged with the Purchaser pursuant to the Arrangement shall be entitled to make a joint income tax election, pursuant to Section 85 of the Tax Act (and any analogous provision of provincial income tax law) (a “**Section 85 Election**”) with respect to the applicable exchange. The Eligible Holder will have the option of submitting the necessary information electronically (through a secure e-mail address) or manually (by mailing a manually completed worksheet to an appointed representative, as directed by the Purchaser). A special purpose email address will be made available to the Eligible Holders to assist with this process. The information to be provided by the Former Company Shareholder must include the number of Company Common Shares or Company Class A Shares, as the case may be, transferred, the adjusted cost base of the Company Common Shares or Company Class A Shares, as the case may be, transferred, the applicable agreed amounts for the purposes of such election and other information necessary to complete the Section 85 Election. The Purchaser shall, within 60 days after receiving the electronic or manual submission, and subject to such submission being correct and complete and complying with requirements imposed under the Tax Act (and any applicable provincial income tax law), sign and return a copy of a completed Section 85 Election to the Former Company Shareholder for filing with the CRA (or the applicable provincial tax authority). Neither the Company, the Purchaser nor any successor corporation shall be responsible for the proper completion or filing of any joint election form nor, except for the obligation to sign and return duly completed joint election forms which are received within 60 days of the Effective Date, for any taxes, interest or penalties resulting from the failure of an Eligible Holder to properly complete or file such joint election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, the Purchaser or any successor corporation may choose to sign and return a joint election form to an Eligible Holder received by it more than 60 days following the Effective Date, but will have no obligation to do so.
- (d) Upon receipt of a Letter of Transmittal or other written notice from an Eligible Holder in which the Eligible Holder has indicated that the Eligible Holder intends to make a Section 85 Election, the Purchaser will promptly deliver a tax instruction letter (and a tax instruction letter for the equivalent Quebec election, if applicable), together with the relevant tax election forms (including the Quebec tax election forms, if applicable) to the Eligible Holder.

Section 3.4 No Fractional Shares.

No fractional Purchaser Shares or SpinCo Shares shall be issued to Former Company Shareholders in connection with this Plan of Arrangement. The total number of Purchaser Shares or SpinCo Shares to be issued to any Former Company Shareholder shall, without additional compensation, be rounded down to

the nearest whole Purchaser Share or SpinCo Share, as applicable, in the event that a Former Company Shareholder would otherwise be entitled to a fractional share.

Section 3.5 No Fractional Cash Consideration.

No fractional Purchaser Cash Consideration shall be paid to Former Company Shareholders in connection with this Plan of Arrangement. The aggregate amount of Purchaser Cash Consideration owing to any Former Company Shareholder shall be rounded up to the next whole cent.

Section 3.6 Transfers Free and Clear.

Any transfer of securities pursuant to this Plan of Arrangement shall be free and clear of all Encumbrances. Each Former Company Shareholder that was the registered holder of Company Shares shall, immediately prior to the assignment and transfer of such Company Shares pursuant to Section 3.2, be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Company Shares to the Company or the Purchaser, as applicable.

**ARTICLE 4.
COMPANY INDENTURE WARRANTS**

Section 4.1 Company Indenture Warrants.

In accordance with the terms of the Company Warrant Indenture, each holder of Company Indenture Warrants shall be entitled to receive (and such holder shall accept) upon the exercise of such holder's Company Indenture Warrants, in lieu of Company Common Shares to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the number of Purchaser Shares, the value of the Purchaser Cash Consideration and SpinCo Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Arrangement if, immediately prior to the Effective Date, such holder had been the registered holder of the number of Company Common Shares to which such holder would have been entitled if such holder had exercised such holder's Company Indenture Warrants immediately prior to the Effective Time. Each Company Indenture Warrant shall continue to be governed by and be subject to the terms of the Company Warrant Indenture, subject to any supplemental indenture, warrant certificate or exercise documents, as applicable, issued provided by the Purchaser and SpinCo (as they mutually agree, each acting reasonably) to holders of the Company Indenture Warrants to facilitate the exercise of the Company Indenture Warrants and the payment of the corresponding portion of the exercise price therefor.

Section 4.2 Exercise of Company Indenture Warrants Post-Effective Time.

Upon any valid exercise of a Company Indenture Warrant after the Effective Time, the Purchaser shall issue the requisite number of Purchaser Shares and SpinCo shall issue the requisite number of SpinCo Shares, necessary to settle such exercise, provided that Purchaser or SpinCo, as applicable, has received the portion of the Company Indenture Warrant exercise price such that the Company Indenture Warrant exercise price is divided between the Purchaser and SpinCo as follows:

- (a) the Purchaser shall receive a portion of the exercise price equal to the original exercise price of the Company Warrant less the Purchaser Cash Consideration amount that would have been payable in exchange for that number of Company Shares that were previously issuable upon exercise and less the exercise price payable to SpinCo as determined in accordance with 4.2(b) below; and

- (b) SpinCo shall receive a portion of the exercise price determined in accordance with the following formula:

$$\frac{\text{(original exercise price} \times \text{(Fair Market Value of a SpinCo Share} \times 0.2))}{\text{(Fair Market Value of a Company Common Share} + \text{(Fair Market Value of a SpinCo Share} \times 0.2))}$$

ARTICLE 5. DISSENT PROCEDURES

Section 5.1 Rights of Dissent.

Pursuant to the Interim Order, a Dissenting Company Shareholder may exercise the Company Dissent Rights with respect to the Company Common Shares held by such holder in connection with the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order and this Section 5.1; provided that notwithstanding Section 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in Section 190(5) of the CBCA must be received by the Company not later than 5:00 p.m. (Toronto time) two Business Days immediately preceding the date of the Company Meeting (as it may be adjourned or postponed from time to time).

Each Dissenting Company Shareholder who is:

- (a) ultimately entitled to be paid fair value for such holder's Company Common Shares: (i) shall be deemed not to have participated in the transactions in Article 3 (other than Section 3.2(a)); (ii) shall be entitled to be paid the fair value of such Company Common Shares by the Company, which fair value shall be determined as of the close of business on the day before the Arrangement Resolution was adopted; and (iii) shall not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holder not exercised their Company Dissent Rights in respect of such Company Common Shares; or
- (b) ultimately not entitled, for any reason, to be paid fair value for such Company Common Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Company Common Shares and shall be entitled to receive only the Consideration in the same manner as such non-dissenting Company Shareholders.

Section 5.2 Recognition of Dissenting Holders.

- (a) In no circumstances shall the Parties or any other Person be required to recognize a Person exercising Company Dissent Rights unless such Person is the registered holder of those Company Common Shares in respect of which such rights are sought to be exercised.
- (b) For greater certainty, in no case shall the Parties or any other Person be required to recognize Dissenting Company Shareholders as holders of Company Common Shares in respect of which Company Dissent Rights have been validly exercised after the completion of the transfer under Section 3.2(a), and the names of such Dissenting Company Shareholders shall be removed from the register of holders of the Company Common Shares in respect of which Company Dissent Rights

have been validly exercised at the same time as the event described in Section 3.2(a) occurs. In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Company Dissent Rights: (i) holders of Company Options; (ii) holders of Company Warrants; and (iii) Company Shareholders who vote or have instructed a proxyholder to vote their Company Common Shares in favour of the Arrangement Resolution (but only in respect of such Company Common Shares).

ARTICLE 6. DELIVERY OF CONSIDERATION

Section 6.1 Delivery of Consideration.

- (a) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented one or more outstanding Company Common Shares which were transferred to the Purchaser or exchanged for Company Class A Shares in accordance with Section 3.2, together with such other documents and instruments as would have been required to effect the transfer of the Company Common Shares formerly represented by such certificate under the CBCA and the articles of the Company and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, the Purchaser Shares, the SpinCo Shares and cash representing the Purchaser Cash Consideration that such holder is entitled to receive in accordance with Section 3.2.
- (b) After the Effective Time and until surrendered for cancellation as contemplated by Section 6.1(a), each certificate which immediately prior to the Effective Time represented one or more Company Common Shares shall be deemed at all times to represent only the right to receive in exchange therefor the entitlements which the holder of such certificate is entitled to receive in accordance with Section 3.2.

Section 6.2 Lost Certificates.

In the event that any certificate which, immediately prior to the Effective Time, represented one or more outstanding Company Common Shares which were transferred or exchanged in accordance with Section 3.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the consideration which such Person is entitled to receive in accordance with Section 3.2, provided that, as a condition precedent to any such delivery by the Depositary, such Person shall have provided a bond satisfactory to the Purchaser and the Depositary in such amount as the Purchaser and the Depositary may direct, or otherwise indemnified the Purchaser and the Depositary in a manner satisfactory to the Purchaser and the Depositary, against any claim that may be made against the Purchaser or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise have taken such actions as may be required by the articles of the Company.

Section 6.3 Distributions with Respect to Unsurrendered Certificates.

No dividend or other distribution declared or made after the Effective Time with respect to the Purchaser Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Company Shares unless

and until the holder of such certificate shall have complied with the provisions of Section 6.1 or Section 6.2. Subject to applicable law and to Section 6.4, at the time of such compliance, there shall, in addition to the delivery of the Purchaser Shares and SpinCo Shares and the payment of the Purchaser Cash Consideration to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Purchaser Shares.

Section 6.4 Withholding Rights.

The Purchaser, the Company and the Depositary, as applicable, shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person under this Plan of Arrangement (including without limitation, any payments to Dissenting Company Shareholders), and from all dividends or other distributions otherwise payable to any Former Company Shareholder, such amounts as the Purchaser, the Company or the Depositary, as applicable, is required to deduct and withhold with respect to such payment under the Tax Act, the U.S. Tax Code or any provision of any applicable federal, provincial, state, local or foreign tax Laws, in each case, as amended. To the extent the amount required to be deducted or withheld from any consideration payable or otherwise deliverable to any Person hereunder exceeds the amount of cash consideration, if any, otherwise payable to the Person, any of the Purchaser or the Depositary is hereby authorized to sell or otherwise dispose of any non-cash consideration payable to the Person as is necessary to provide sufficient funds to the Purchaser or the Depositary, as the case may be, to enable it to comply with all deduction or withholding requirements applicable to it, and the Purchaser or the Depositary, as applicable, shall notify such Person and remit to such Person any unapplied balance of the net proceeds of such sale. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant Person in respect of which such deduction and withholding was made, provided that such withheld amounts are remitted to the appropriate Governmental Entity.

Section 6.5 Extinction of Rights.

To the extent that a Former Company Shareholder shall not have complied with the provisions of Section 6.1 or Section 6.2 on or before the date which is six years after the Effective Date (the “**final proscription date**”), then:

- (a) any Consideration which such Former Company Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof, or repaid or returned to the Purchaser in the case of the Purchaser Cash Consideration and any applicable SpinCo Shares, and the Purchaser Shares shall be delivered to the Purchaser by the Depositary for cancellation and shall be cancelled by the Purchaser, and the interest of the Former Company Shareholder in such Consideration shall be terminated as of such final proscription date; and
- (b) any dividends or distributions which such Former Company Shareholders were entitled to receive under Section 6.3 shall be delivered by the Depositary to the Purchaser and such dividends or distributions shall be deemed to be owned by the Purchaser, and the interest of the Former Company Shareholder in such dividends or distributions shall be terminated as of such final proscription date.

**ARTICLE 7.
AMENDMENTS**

Section 7.1 Amendments to Plan of Arrangement.

- (a) The Parties reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification or supplement must be: (i) set out in writing; (ii) agreed to in writing by the Parties; (iii) filed with the Court and, if made following the Company Meeting, approved by the Court; and (iv) communicated to Former Company Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company at any time prior to the Company Meeting provided that the Purchaser shall have consented thereto in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Company Meeting shall be effective only if: (i) it is consented to in writing by each of the Parties; and (ii) if required by the Court, it is consented to by holders of the Company Common Shares voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by each of the Parties, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the Parties or any Former Company Shareholder, Former Company Optionholder or Former Company Warrantholder, as applicable.

**ARTICLE 8.
FURTHER ASSURANCES**

Section 8.1 Further Assurances.

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out therein.

APPENDIX C
OPINION OF STIFEL NICOLAUS CANADA INC.

See attached.

November 1, 2020

The Board of Directors
Monarch Gold Corporation
68 Avenue de la Gare, Office 205
Saint-Sauveur, Québec
Canada, J0R 1R0

Dear Sirs / Madams:

Stifel Nicolaus Canada Inc. ("**Stifel GMP**") understands that Monarch Gold Corporation ("**Monarch**" or the "**Company**") has entered into an arrangement agreement dated November 1, 2020 (the "**Arrangement Agreement**") with Yamana Gold Inc. ("**Yamana**") pursuant to which, among other things, Yamana will acquire the Wasamac property and the Camflo property and mill through the acquisition of all of the outstanding shares of Monarch (the "**Monarch Shares**") not currently owned by Yamana in exchange for a combination of common shares of Yamana (the "**Purchaser Share Consideration**") and cash (the "**Cash Consideration**") by way of a court approved plan of arrangement (the "**Plan of Arrangement**") under the *Canada Business Corporations Act*, which transaction shall be referred to herein as the "**Arrangement**".

Under the Plan of Arrangement, Monarch will first complete a spin-out to its shareholders (the "**Spin-Out**"), through a newly-formed company (the "**SpinCo**") that will hold its other mineral properties and certain other assets and liabilities of Monarch, by issuing as consideration, common shares of SpinCo (the "**SpinCo Share Consideration**") and together with Purchaser Share Consideration and Cash Consideration, the "**Consideration**").

The Arrangement

Pursuant to the Arrangement, the following assets and liabilities will be transferred by Monarch to SpinCo:

- The Beaufor mine, the McKenzie Break property, the Croinor Gold property, the Swanson property and the Beacon Gold mill and property (the "**SpinCo Properties**");
- C\$14 million cash; and
- All assets and liabilities related to the SpinCo Properties.

Following the Spin-Out, each outstanding common share of Monarch will be exchanged for:

- C\$0.192 in cash from Yamana;
- 0.0376 of a Yamana share (a value of C\$0.288 based on the volume weighted average price of the Yamana shares on the TSX for the 20 trading days ending on October 30, 2020); and
- 0.20 of a SpinCo Share.

All other outstanding securities of Monarch will be dealt with in accordance with their terms or the Plan of Arrangement.

The Arrangement is subject to certain conditions, including, without limitation: (a) approval of at least 66 2/3% of the votes cast by the shareholders and optionholders of Monarch present in person or by proxy at an annual and special meeting (the "**Monarch Meeting**") of holders of Monarch Shares ("**Monarch Shareholders**") and options, voting together as a single class, (b) approval of the court, and (c) receipt of required regulatory approvals.

Stifel GMP's Engagement

The Board of Directors of Monarch (the "**Board**") formally retained Stifel GMP to act as its financial advisor pursuant to an engagement letter (the "**Engagement Letter**") dated as of October 28, 2020. Pursuant to the Engagement Letter, Stifel GMP has agreed to, among other things, deliver, at the request of the Board, an opinion (the "**Opinion**") as to whether the Consideration is fair, from a financial point of view, to Monarch Shareholders other than Yamana. Pursuant to the Engagement Letter, on November 1, 2020, Stifel GMP delivered to the Board its opinion that the Consideration offered to Monarch Shareholders under the Arrangement was fair from a financial point of view to Monarch Shareholders other than Yamana.

The Engagement Letter provides that Stifel GMP will be paid by Monarch, for the services provided thereunder, a fee which is not contingent on the successful outcome of the Arrangement, as well as reimbursement of all reasonable legal and out-of-pocket expenses. In addition, Stifel GMP and its affiliates and their respective directors, officers, employees, agents and controlling persons are to be indemnified by Monarch under certain circumstances from and against certain liabilities arising out of the performance of professional services rendered to Monarch. In the future, Stifel GMP may in the ordinary course of business, seek to perform financial advisory services or corporate finance services for Monarch, SpinCo, Yamana and their associates from time to time. Stifel GMP has not been engaged to prepare, and has not prepared, a formal valuation or appraisal of Monarch or Yamana, or any of their respective assets, securities or liabilities (whether on a standalone basis or as a combined entity), and the Opinion should not be construed as such.

Stifel GMP was similarly not engaged to review any legal, tax or accounting aspects of the Arrangement and, accordingly, expresses no views thereon. Stifel GMP has assumed, with Monarch's agreement, that the Arrangement is not subject to the delivery of a formal valuation pursuant to the requirements of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and Stifel GMP's engagement does not include and should not be considered to involve, a formal valuation under MI 61-101.

Credentials of Stifel GMP

Stifel GMP is a leading independent Canadian investment dealer focused on investment banking and institutional equities for corporate clients and institutional investors. As part of our investment banking activities, we are regularly engaged in the valuation of securities in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engage in market making, underwriting and secondary trading of securities in connection with a variety of transactions. Stifel GMP is not in the business of providing auditing services and is not controlled by a financial institution. Stifel GMP and Stifel FirstEnergy are brand names of Stifel Nicolaus Canada Inc.

The Opinion expressed herein represents the opinion of Stifel GMP and the form and content hereof have been approved for release by a group of professionals of Stifel GMP, each of whom is experienced in merger, acquisition, divestiture, restructurings, valuation and fairness opinion matters.

Independence of Stifel GMP

None of Stifel GMP, its affiliates or associates, is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of Monarch or Yamana or any of their respective associates or affiliates (collectively, the "**Interested Parties**"). Stifel GMP has acted in various capacities for both Monarch and Yamana over the past 24 months:

- Stifel GMP was engaged by Monarch on June 17, 2020 to act as non-exclusive advisor to Monarch in connection with various strategic and capital markets initiatives; the initial term of the engagement is 9 months and is ongoing

- Stifel GMP was engaged by Monarch on August 24, 2020 to act as co-lead underwriter and joint bookrunner in connection with the company's private placement of flow through units; the transaction closed September 17, 2020
- Stifel GMP was engaged by Yamana on April 10, 2020 to act as joint bookrunning manager in connection with the unit block trade of Equinox Gold Corp. shares from Yamana in a "bought deal" structure; the transaction closed April 15, 2020

There are no understandings, agreements or commitments between Stifel GMP and any Interested Parties with respect to any future business dealings, however, Stifel GMP may in the future in the ordinary course of business seek to perform financial advisory services for any one or more of them from time to time. Stifel GMP has been retained by Monarch to, among other things, provide the Opinion to the Board in respect of the Arrangement. In the ordinary course of its business, Stifel GMP acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today, or in the future (with respect to SpinCo), positions in the securities of Monarch, Yamana and SpinCo and, from time to time, may have executed or may execute (in the case of SpinCo) transactions on behalf of Monarch, Yamana and SpinCo or other clients for which it received or may receive compensation. In addition, as an investment dealer, Stifel GMP conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including research with respect to Monarch, SpinCo or Yamana and/or their respective affiliates or associates.

Scope of Review

Stifel GMP has acted as financial advisor to the Board in respect of the Arrangement and certain related matters. In this context, and for the purpose of preparing the Opinion, we have analyzed financial, operational and other information relating to Monarch, including information derived from meetings and discussions with the management and Board of Monarch. Except as expressly described herein, Stifel GMP has not conducted any independent investigations to verify the accuracy and completeness thereof.

In connection with rendering the Opinion, and among other things, we have:

- reviewed the final Arrangement Agreement dated November 1, 2020;
- reviewed the form of support and voting agreement to be entered into between Yamana and each of the directors and officers of Monarch, as referred to in the Arrangement Agreement;
- reviewed and analyzed certain publicly available information relating to the business, operations, financing conditions and trading history of Monarch including but not limited to their financial statements, technical reports, continuous disclosure documents and other information that Stifel GMP considered relevant;
- reviewed and analyzed certain publicly available information relating to the business, operations, financing conditions and trading history of Yamana including but not limited to their financial statements, technical reports, continuous disclosure documents and other information that Stifel GMP considered relevant;
- reviewed public information relating to other selected public mining companies that Stifel GMP considered relevant;
- performed a comparison of the multiples implied under the terms of the Arrangement with those implied from recent precedent acquisitions involving companies that Stifel GMP deemed relevant and reviewed the consideration paid for such companies;

- (g) performed a comparison of the multiples implied under the terms of the Arrangement to an analysis of the trading levels of similar companies we deemed relevant under the circumstances;
- (h) performed a comparison of the Consideration to be paid to the shareholders of Monarch to the recent trading levels of Monarch;
- (i) reviewed certain internal financial models, analyses, forecasts and projections prepared by the management of Monarch relating to its business;
- (j) reviewed certain technical information and analyses prepared by the management of Monarch relating to the respective assets of Monarch;
- (k) had discussions with members of the Board and management of Monarch with regard to, among other things, the business, past and current operations, current financial condition and future potential of Monarch and SpinCo and reviewed certain analyses prepared by the management of Monarch relating to the respective assets of Monarch;
- (l) reviewed officer's certificates addressed to Stifel GMP and executed and delivered by each of the President and Chief Executive Officer and the Chief Financial Officer of Monarch dated the date hereof setting out representations as to certain factual matters and the completeness and accuracy of the Information (as defined herein) upon which the Opinion is based and conducted due diligence sessions with the management of Monarch and received detailed information concerning its business and affairs;
- (m) reviewed various equity research reports and industry sources regarding Monarch, Yamana and the mining industry;
- (n) performed a comparison of the relative contribution of assets, cash flow, earnings, net asset value, production, and reserves/resources by Monarch and Yamana to the relative pro forma ownership of Monarch and Yamana;
- (o) reviewed trading multiples of selected junior gold exploration companies we deemed relevant for the purpose of evaluating SpinCo;
- (p) reviewed historical metal commodity prices and considered the impact of various commodity pricing assumptions on the respective business, prospects and financial forecasts of Monarch; and
- (q) considered such other corporate, industry and financial market information, investigations and analyses as Stifel GMP considered necessary or appropriate in the circumstances.

In its assessment, Stifel GMP looked at several methodologies, analyses and techniques and used a combination of those approaches in order to produce its Opinion. Stifel GMP based the Opinion upon a number of quantitative and qualitative factors as deemed appropriate based on Stifel GMP's professional experience.

Stifel GMP has not, to the best of its knowledge, been denied access by Monarch to any information requested by Stifel GMP. Stifel GMP did not meet with the auditors of Monarch and as stipulated below, has assumed, without independent investigation, the accuracy and fair presentation of the audited comparative consolidated financial statements of Monarch and the reports of the auditors thereon.

Assumptions and Limitations

With Monarch's approval and as provided for in the Engagement Letter, Stifel GMP has relied upon and has assumed, without independent investigation, the completeness, accuracy and fair representation of all financial, technical and other information, data, advice, opinions and representations obtained by Stifel GMP from public sources, including information relating to Monarch and the Arrangement, or provided to Stifel GMP by Monarch and its affiliates or advisors or otherwise pursuant to our engagement (collectively, the "**Information**") and the Opinion is conditional upon such completeness, accuracy and fairness. Subject to the exercise of professional judgment and except as expressly described herein, Stifel GMP has not attempted to verify independently the accuracy or completeness of any such Information. Senior officers of Monarch have represented to Stifel GMP, in separate certificates delivered as at the date hereof, among other things, that the Information provided: in respect of itself, is true and correct in all material respects at the date the Information was provided to Stifel GMP and did not, and does not, contain a misrepresentation and that, since the date the Information was provided to Stifel GMP, there has been no material change, no change in a material fact or no new material fact, financial or otherwise, in Monarch's financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects and there has been no new material fact which is of a nature as to render any portion of the Information or any part thereof untrue or misleading in any material respect or which could reasonably be expected to have a material effect on the Opinion.

Stifel GMP was not engaged to review any legal, regulatory, tax or accounting aspects of the Arrangement and, accordingly, expresses no view thereon. Stifel GMP was also not engaged to review the quality, quantity or mining economics of the mineral reserves and resources of any of the assets included in the Arrangement from a technical, engineering or geological standpoint and, accordingly expresses no view thereon. The Arrangement is subject to a number of conditions outside the control of Monarch and Yamana, and Stifel GMP has assumed that all conditions precedent to the completion of the Arrangement can be satisfied in due course and all consents, agreements, permissions, exemptions or orders of relevant regulatory and governmental authorities will be obtained, without adverse conditions or qualification, and that the Arrangement can be completed as currently planned without additional material costs or liabilities to Monarch. Stifel GMP has also assumed that the Arrangement will be completed in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is any way material to our analyses, that the Arrangement will be completed in compliance with applicable laws and that the disclosure relating to Monarch, SpinCo, Yamana and the Arrangement in any disclosure documents will be accurate and will comply with the requirements of applicable laws.

The Opinion is rendered as of November 1, 2020 on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of Monarch as they were reflected in the Information and as they were represented to Stifel GMP in discussions with the management of Monarch. In rendering the Opinion, Stifel GMP has assumed that there are no undisclosed material facts relating to Monarch, or its business, operations, capital or future prospects. Any changes therein may affect the Opinion and, although Stifel GMP reserves the right to change or withdraw the Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update the Opinion after today. Other than as authorized below, any reference to the Opinion or the engagement of Stifel GMP by Monarch is expressly prohibited without the express written consent of Stifel GMP. Monarch is expressly authorized to refer to the Opinion and engagement of Stifel GMP in the documentation in connection with the Arrangement, including but not limited to press releases, information circulars and legal proceedings, as well as to the extent required for Monarch to satisfy its disclosure obligations under securities legislation.

Stifel GMP believes that the analyses and factors considered in arriving at the Opinion must be considered as a whole and is not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at the Opinion, Stifel GMP has not attributed any particular weight to

any specific analyses or factor but rather based the Opinion on a number of qualitative and quantitative factors deemed appropriate by Stifel GMP based on Stifel GMP's experience in rendering such opinions.

In our analyses and in connection with the preparation of the Opinion, Stifel GMP made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. While, in the professional opinion of Stifel GMP, the assumptions used in preparing the Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

Conclusion and Fairness Opinion

Based upon our analysis and subject to all of the foregoing and such other matters as we have considered relevant, Stifel GMP is of the opinion that the Consideration to be received by Monarch Shareholders under the Arrangement is fair, from a financial point of view, to the Monarch Shareholders other than Yamana.

The Opinion has been provided solely for the use of the Board for the purposes of considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without the prior written consent of Stifel GMP.

Other than as authorized herein, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without Stifel GMP's prior written consent. Monarch is expressly authorized to reproduce, disseminate, quote from, include or refer to the Opinion of Stifel GMP in the documentation in connection with the Arrangement, including but not limited to press releases, information circulars and legal proceedings, as well to the extent required for Monarch to satisfy its disclosure obligations under securities legislation.

Yours very truly,

Stifel Nicolaus Canada Inc.

Stifel Nicolaus Canada Inc.

APPENDIX D
NOTICE OF APPLICATION AND INTERIM ORDER

See attached.

CANADA

SUPERIOR COURT

(Commercial Chamber, sitting as a Court designated under the *Canada Business Corporations Act*, R.S.C (1985), c. C-44 (“CBCA”))

**PROVINCE OF QUEBEC
DISTRICT OF QUÉBEC**

MONARCH GOLD CORPORATION

N° : 200-11-027015-208

Applicant

and

**THE SHAREHOLDERS OF MONARCH
GOLD CORPORATION**

**THE OPTION HOLDERS OF MONARCH
GOLD CORPORATION**

and

YAMANA GOLD INC.

and

**THE DIRECTOR APPOINTED UNDER
SECTION 260 OF CANADA BUSINESS
CORPORATIONS ACT**

Impleaded Parties

**NOTICE OF PRESENTATION FOR FINAL ORDERS RELATING TO AN
ARRANGEMENT CONCERNING MONARCH GOLD CORPORATION**

Filing of a judicial demand

TAKE NOTICE that the Applicant has filed an application for interim and final orders with the Office of the Clerk of the Superior Court of the District of Quebec with respect to an arrangement regarding Monarch Gold Corporation pursuant to Section 192 of the *Canada Business Corporations Act*, R.S.C. (1985), c. C-44 (“**CBCA**”).

Presentation Date of the Final Order Application

The application for final order will be presented for adjudication before the Superior Court of Quebec, sitting in the Commercial Division, in and for the District of

Quebec, on **January 20, 2021, at 9:00 a.m., at the Quebec City Courthouse located at 300, Jean Lesage Blvd., Quebec, Quebec, in room 3.39.**

Answer to this Application

If you wish to contest the application for final order, you are required to prepare a written answer, personally or by counsel, to be filed at the Quebec City Courthouse located at 300, Jean Lesage Blvd., Quebec, Quebec, G1K 8K6, **no later than January 13, 2021, at 5 :00 p.m. (Quebec time).**

A copy of this answer must be served within the same time limit upon the following:

- i) To the legal counsel of Monarch Gold Corporation, to the attention of Me Richard Provencher, Stein Monast LLP, 70, Dalhousie Street, Quebec, QC, G1K 4B2, by email: richard.provencher@steinmonast.ca, or by fax: (418) 523-5391;
- ii) To the legal counsel of Yamana Gold Inc., to the attention of Me Simon Clément, Lavery de Billy LLP, 925, Grande-Allée Ouest, Québec, Qc, G1S 1C1, by email: sclement@lavery.ca, or by fax: (418) 688-3458.

Content of the Answer

In your answer, you must indicate your intention to contest this application or to intervene to state your claims, and to have established, if applicable, the value of your contestation, insofar as you have exercised your right to dissent pursuant to the procedure established in the management and information proxy circular that you have received.

Written Contestation

If you produce an answer, you may file with the Office of the Clerk of the Superior Court, **no later than January 18, 2021, at 5:00 p.m. (Quebec time)**, a written contestation which must be supported as to the facts by sworn statement(s) and exhibit(s), if any.

Such written contestation must be served upon Me Richard Provencher and Me Simon Clément in the same delay (at the abovementioned email addresses or fax numbers).

Failure to Answer

The only persons entitled to answer and to be heard at the hearing for the application for Final Order, as ordered in the judgement on Interim Order, are Monarch Gold Corporation, Yamana Gold inc., and their respective representatives, as well as any person that satisfies the hereinabove requirements.

If you do not file an answer or contestation within the abovementioned deadlines, the Court may grant judgement at the date scheduled for the presentation of the application for Final Order and authorize the proposed Arrangement, as the case may be.

Copy of the Final Order

TAKE NOTICE that a copy of the final order will be available on **SEDAR**.

PLEASE ACT ACCORDINGLY.

Quebec, November 30, 2020

Stein Monast S.É.N.C.R.L.

STEIN MONAST L.L.P.

Me Richard Provencher

Me David Ferland

Me Mathieu Ayotte

70, Dalhousie Street, Suite 300

Québec (Québec) G1K 4B2

Téléphone : Me Provencher : (418) 640-4427

Me Ferland : (418) 640-4442

Me Mathieu Ayotte : (418) 640-4459

Télécopieur : (418) 523-5391

Courriel : richard.provencher@steinmonast.ca

david.ferland@steinmonast.ca

mathieu.ayotte@steinmonast.ca

Notification : notification@steinmonast.ca

Attorneys of Monarch Gold Corporation

CANADA

SUPERIOR COURT

(Commercial Chamber, sitting as a Court designated under the *Canada Business Corporations Act*, R.S.C (1985), ch. C-44 (« C.B.C.A. »))

**PROVINCE OF QUEBEC
DISTRICT OF QUÉBEC**

MONARCH GOLD CORPORATION,

Applicant

N° : 200-11-027015-208

and

**THE SHAREHOLDERS OF MONARCH
GOLD CORPORATION**

and

**THE OPTIONHOLDERS OF
MONARCH GOLD CORPORATION**

and

YAMANA GOLD INC.,

and

**THE DIRECTOR APPOINTED UNDER
SECTION 260 OF CANADA BUSINESS
CORPORATIONS ACT**

Impleaded parties

ANSWER TO THE NOTICE OF FINAL HEARING

_____ [indicate name and surname], impleaded party, **GIVES NOTICE TO** counsel for the Applicant Monarch Gold Corporation and to counsel for the Impleaded party Yamana Gold Inc., of its intention, namely:

- to contest the application for final order and to file a written objection in accordance with the terms and conditions of the Interim Order issued on November____, 2020;

to intervene at the final hearing;

It also **INFORMS** counsel for the Applicant Monarch Gol Corporation and counsel for the impleaded party Yamana Gold Inc. that it represents itself alone or that it is represented by the undersigned counsels, in this proceeding, without prejudice to any other rights or remedies.

_____ [city], on _____,
202_

Name:
Adress:
Telephone:
Fax:
Email

**SUPERIOR COURT
(Commercial Division)**

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

N° : 200-11-027015-208

DATE : November 30, 2020

PRESIDING: THE HONOURABLE DANIEL DUMAIS, s.c.j.

IN THE MATTER OF THE PROPOSED ARRANGEMENT OF MONARCH GOLD CORPORATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C (1985), CH. C-44 (« CBCA »)

MONARCH GOLD CORPORATION

Applicant

and

THE SHAREHOLDERS OF MONARCH GOLD CORPORATION

and

THE OPTIONHOLDERS OF MONARCH GOLD CORPORATION

and

YAMANA GOLD INC.

and

THE DIRECTOR APPOINTED UNDER SECTION 260 OF CANADA BUSINESS CORPORATIONS ACT

Impleaded parties

**JUDGMENT
(on an application for the issuance of an interim order)**

[1] The Court is seized of an amended motion for interim and final orders regarding the approval of a corporate arrangement pursuant to sections 192 and followings of the CBCA¹.

[2] The applicant (« the Corporation ») is a publicly traded stock company incorporated in 2011 under the CBCA. It is an emerging gold mining corporation who owns gold properties and operates in Abitibi. Its head office is located in Québec city, Its shares are listed for trading on the TSX.

[3] Yamana Gold (« Yamana ») is also a publicly traded stock corporation formed under the CBCA. It is a Canadian-based precious metals producer with significant gold and silver production, development stage properties, exploration properties and land positions throughout the Americas. Its shares are listed on the TSX and the New-York Stock exchange.

[4] Both companies entered into an agreement on November 1 and 19, 2020². They prepared a plan of arrangement under which, Yamana will acquire some properties of the applicant while the remaining ones will be transferred to a newly-formed company.

[5] Due to the complexity of this restructuration, the applicant opted to proceed through the mechanism of arrangement prescribed by section 192 of the CBCA. This process requires the approval of the Shareholders and the authorization of the Court.

[6] To this end, the Court's intervention is sought at two stages. The first concerns the request of an interim order which mainly deals with the calling of a meeting of the Shareholders, the holders of options and warrants and the manner they should be informed in order to vote on the proposed plan. It also indicates how Shareholders must proceed if they want to contest the arrangement or exercise their rights to dissent.

[7] The second step follows the approval of the plan, if accepted by Shareholders. The Court must then issue a final order to complete the restructuration.

[8] At present, the Court is only concerned with the interim order. As confirmed by case law³, this initial request is filed and heard *ex parte*.

[9] Without describing the plan in details, it can be briefly summarized. It involves the six following steps:

- i. Creation of a new entity named Monarch Mining Corporation and transfer of certain assets by the Corporation to this new entity;

¹ *Canada Business Corporations Act*, R.S.C., 1985, c-44.

² See exhibit P-1 and P-1A

³ *In the matter of a proposed arrangement by 45133541 Canada inc.*, 2009 QCCS 6444, par. 25; *Re Molson Inc.*, 2004 CanLII 46628, par. 54.

- ii. Exchange of the Corporation shares for Monarch class A shares (a new category) and Monarch Mining Corporation shares.
- iii. Purchase of all Monarch class A shares by Yamana in consideration of a sum of money, and Yamana shares. This will allow Yamana to acquire the remaining assets (not transferred to the new entity) once the final order is granted.
- iv. Meeting of The Corporation Shareholders (On December 30, 2020) and request of a final order on January 20, 2021 (if the plan is accepted by the Shareholders).
- v. End of the activities of The Corporation.
- vi. Listing of Monarch Mining Corporation (the new entity) on the TSX.

The option holders (in-the-money) will be subject to the same consideration while warrant holders rights will be adjusted.

The end result is that the Corporation Shareholders receive money, Yamana shares and Monarch Mining Corporation shares.

[10] This process as well as its consequences and the financial informations are explained in the arrangement agreement filed as exhibit P-1 and P-1A. All these document will be sent to the Corporation Shareholders in the letters and joint management information circular filed as exhibit P-2, P-10A and P-12.

[11] As requested by section 192(5) of the CBCA, a notice of the application for an interim and a final order has been given to the Director appointed under the CBCA. This notice brought an exchange of correspondence and discussions between the director and the representatives of the petitioners⁴.

[12] In a letter dated November 24, 2020⁵, the office of the director, Mr. Karim Michaël, wrote:

« We acknowledge receipt of the email dated November 16, 2020 and subsequent correspondence enclosing, among others, the following documents:

[...]

Based on the foregoing information filed in support of the interim hearing, please be informed that the staff of the Director has determined that the Director does not need to appear or be heard on the application.

Please provide a copy of the interim order and any documentation filed with the court on the application for final order to the Director for review prior to the hearing for final order.

⁴ See exhibit P-12, P-13 and P-14.

⁵ See exhibit P-15.

Sincerely, »

[13] During the hearing, the Court questioned the applicant's lawyers in order to better understand the meaning and the reasons behind the numerous conclusions sought. These questions were answered to the satisfaction of the Court.

[14] The completion and realisation of a plan of arrangement are subject to the acceptance of the Shareholders, the authorization of the Court and to any other approvals to be obtained from the regulating authorities.

[15] An interim order does not have to fully analyse and appreciate the content of the arrangement. It simply entitles the process to go ahead if the provisions of section 192 CBCA are met. It also makes sure that any dissenting shareholder will have the right to choose to sell its shares if he complies with the expressed conditions.

[16] As Justice Clément Gascon wrote in *45133541 Canada inc.*:

« [20] At this moment, the Court is only concerned with the Interim Orders' side of the Application.

[21] At this interim stage, the purpose of the Application is to obtain an order for the calling of meetings of the affected unsecured Noteholders, secured Noteholders and Lenders to approve the contemplated Arrangement, as well as other orders relating to procedural matters in relation thereto.

[22] In other words, the purpose of the Interim Order is to "set the wheels in motion" for the approval process relating to the Arrangement and to set out the parameters to reach that objective.

[23] Consequently, the affected unsecured Noteholders, secured Noteholders and Lenders being called to a meeting to vote on the Arrangement, they are not prejudiced by the Application at this early stage. They will have ample opportunity, if need be, to apply to the Court for relief, be it prior or after the contemplated meetings.

[24] In this regard, as the Supreme Court recently ruled, at the Final Order stage, Applicants will have to satisfy the Court that the Arrangement is fair and reasonable through a two-pronged framework and thus demonstrate:

- a) that it has a valid business purpose; and*
- b) that the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way. »⁶*

⁶ 2009 QCCS 6444.

[17] To issue the interim order, the Court must be convinced that the applicant acts in good faith, that the arrangement is fair and reasonable and that it complies with the statutory requirements of the CBCA⁷.

[18] The Court has no reasons to believe or suspect, in this case, that the applicant is not acting in good faith. Its project is well described; its goal is legitimate.

[19] As for the requirements, they are described as follows in previous decisions:

« [56] *Regarding the fulfillment of the statutory requirements, the Applicants must establish, at this interim stage, that*^[11]:

1) *the Arrangement constitutes an "arrangement" as defined under Subsection 192(1) CBCA;*

2) *they are not "insolvent" as defined in Subsections 192(2) (a) and (b) CBCA;*

3) *it is not "practicable" for them to effect a fundamental change in the nature of the Arrangement under any other provision of the CBCA; and*

4) *they gave notice of the Application to the CBCA Director appointed under Section 260 »⁸*

11. *BCE (Arrangement relatif à)*, 2007 QCCS 3878, at para. 27 (Que. S.C.), Silcoff J.; *Re Molson inc.*, J.E. 2005-241, at para. 28 (Que. S.C.), Lalonde J.; *Re St. Lawrence & Hudson Railway Co.*, [1998] O.J. No. 3934, at para. 13 (Ont. C.J. Gen. Div.), Blair, J.

[20] These four conditions are met as explained in the next paragraphs.

[21] First, the arrangement plan constitutes an arrangement as specifically defined in section 192 a, d, e and f of the CBCA.

[22] Second, the restructuring appears complex from a business and legal point of view. The test is not the impossibility to proceed through the usual channel. What it needs is a consideration of its practicability. The Court is convinced, in this case, that it is not practicable to pursue the arrangement under other provisions of the CBCA.

[23] Many precedents⁹ recognize that the practicability condition must receive a broad interpretation. Section 2.06 of the policy concerning arrangements under section 192 of the CBCA reads:

⁷ *BCE v. 1976 Debentureholders* [2008] 3 S.C.R. 560, paragr. 138.

⁸ See *Mines Virginia inc. (Arrangement relatif à)*, 2014 QCCS 6157; *Mega Brands (Arrangement relatif à)* 2010 QCCS 646.

⁹ *In the matter of the arrangement by Molson inc.*, 2004 CanLII 46628, (C.S.) par. 46, quoting jurisprudence.

« The Director endorses the view that the impracticability requirement means something less than «impossible» and, generally, that the test would be satisfied by demonstrating that it would be inconvenient or less advantageous to the corporation to proceed under other provisions of the Act. The Director endorses this view subject to a concern that the arrangement provisions of the Act not be utilized to subvert the procedural or substantive safeguards applicable to other sorts of transactions possible under the Act. »

[24] Third, notice of the application has been given to the CBCA director who has received the documentation and *«does not need to appear or be heard»* at this stage.

[25] Finally, the evidence shows that The Corporation is not insolvent. It is able to pay its liabilities as they become due and the realisable value of its assets exceed the aggregate of its liabilities and stated capital¹⁰.

[26] This last requirement is satisfied as appears from the affidavit of Jean-Marc Lacoste (at par. 20) and from the audited annual consolidated financial statements for the year ended June 30, 2020¹¹.

[27] The Court must also consider if, at first glance, the proposed arrangement is fair and reasonable. Does it have a valid business purpose? Does it resolve the rights of the potential opponents in a fair and balance way?¹²

[28] The submissions of Applicant convince the Court that the process is fair and reasonable. The Corporation Shareholders should receive an added value of 43%. The transaction will allow The Corporation to take advantage of Yamana expertise, know-how and financial position. The rights of Dissidents are protected by a mechanism just and appropriate.

[29] In view of all this, the Court considers that the conclusions sought in the interim order are justified and should be granted.

FOR THESE REASONS, THE COURT:

[30] **GRANTS** this application (the “Application”) at the interim stage;

[31] **ORDERS** the interim order requested in the Application (the “Interim Order”);

[32] **DISPENSES** Monarch Gold Corporation (“the Corporation”) of the obligation, if any, to notify any person other than the Director appointed pursuant to Section 260 CBCA (the “Director”) with respect to the Interim Order;

¹⁰ See section 192 (2) a of the CBCA

¹¹ See exhibit P-11, at page 6

¹² See *BCE v. Debenture holders* [2008] 3 S.C.R. 560, paragr. 143-146.

[33] **ORDERS** that all holders (the “Monarch Shareholders”) of the issued and outstanding common shares of the Corporation (the “Monarch Shares), and all the option holders (the “Monarch Optionholders”) (and together with the Monarch Shareholders, the “Monarch Securityholders”) of the outstanding option of the Corporation (“the Monarch Options”) be deemed parties, as impleaded parties, to the present proceedings and be bound by the terms of any order rendered herein;

[34] **DISPENSES** the Corporation to mention the names of all Monarch Securityholders as impleaded parties in the Application.

The Meeting

[35] **ORDERS** that the Corporation may convene, hold and conduct, by visio-conference, an annual and special meeting of the Monarch Securityholders (the “Meeting”) on December 30 , 2020, commencing at 9 :30 a.m. (Québec time), at 70, Dalhousie Street, Suite 300, Québec (Québec) G1K 4B2, at which time the Monarch Securityholders will be asked, among other things, to consider, and, if thought appropriate, to adopt, with or without modification, the arrangement resolutions substantially in the form set forth in the schedules (the “Arrangement Resolutions”) of the management information circular (the “Circular”), (Exhibit P-2) to, among other things, authorize, approve and adopt the arrangement proposed by the Corporation (the “Arrangement”), and to deliberate such other question as may properly come before the Meeting, in accordance with the terms, restrictions and conditions of the articles and by-laws of the Corporation, the provisions of the Canada Business Corporations Act, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) and this Interim Order, provided that this Interim Order shall prevail in the event of any inconsistencies between this Interim Order and any terms, restrictions and conditions of the articles and by-laws of the Corporation or any provision of the CBCA;

[36] **ORDERS** that in respect of the vote on the Arrangement Resolutions or any other question determined by the Chairman of the Meeting to be related to the Arrangement, each Monarch Shareholder shall be entitled to cast one vote for each Monarch Share held and each Monarch Optionholder shall be entitled to cast one vote for each Monarch Option held;

[37] **ORDERS** that, considering that each Monarch Shareholder is entitled to one vote for each Monarch Share with regards to the vote on the Arrangement Resolutions, the quorum (as defined in section 44.1 of The Corporation By-Law) required to begin the Meeting be established at one or more Monarch Shareholders, present in person or represented by proxy, representing at least 10 % of the total votes attached to the issued and outstanding Monarch Shares;

[38] **ORDERS** the Monarch Securityholders registered at the close of business on the closing date of the registers on November 30th, 2020 (the “Record Date”), their proxy holders, and the directors and advisors of the Corporation and of Yamana shall be the

only parties entitled to receive the Notice Documents (as defined hereinafter), to attend or be heard (or at any resumption thereof following any adjournment or postponement), provided, however, that any other persons having the permission of the chairman of the Meeting shall also be entitled to attend and be heard at the Meeting;

[39] **ORDERS** that, subject to the general powers of the Chairman of the Meeting, the Monarch Securityholders registered in the applicable books and records (the “Books and Records”) at the Record Date be the only persons entitled to vote at the Meeting (or at any resumption thereof following any adjournment or postponement) as Monarch Securityholders;

[40] **ORDERS** that the Chairman of the Meeting be determined by the Corporation and that such Chairman shall have all the powers necessary for the purposes of the Meeting (or at any resumption thereof following any adjournment or postponement);

[41] **ORDERS** that, for the purpose of the vote on the Arrangement Resolutions, or any other vote taken at the Meeting, any cancelled, illegible or irregular votes be deemed not to be votes cast by Monarch Securityholders and **ORDERS** that proxies (the “Proxies”) that are duly signed and dated, but which do not contain voting instructions shall be voted in favor of the Arrangement Resolution;

[42] **ORDERS** that the Corporation, if it deems it advisable, be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of the Monarch Securityholders with respects to the adjournment or postponement as well as without having to obtain prior additional authorization from the Court; **ORDERS** that notice of such resumption of the Meeting in the event of adjournment or postponement shall be given by press release, newspaper or by mail, as determined to be the most appropriate method of communication by the Corporation; **ORDERS** that, subject to the provisions of the applicable laws and regulations, any adjournment or postponement of the Meeting will not change the Record Date for Monarch Securityholders being entitled to notice of the Meeting and entitled to vote at such Meeting; and **ORDERS** that any resumption of the Meeting, all proxies be voted in the same manner as they would have been voted at the original Meeting, except for any proxies that have been validly revoked or withdrawn prior to the resumption of the Meeting;

[43] **ORDERS** that the Corporation may, if required, amend, modify and/or complete the plan of arrangement (the “Plan of Arrangement”), provided that such amendments, modifications and/or additions be made in accordance with Section 7.1 of the Plan of Arrangement and:

- a) if made prior to or during the Meeting, be notified in writing to the Monarch Securityholders and the Director as soon as possible and in all events, at the Meeting at the latest;

- b) if made after the Meeting, but prior to the final hearing (the “Final Hearing”) on the application for the final order (the “Final Order”), approved by the Court and subject to the terms and conditions that the Court may deem appropriate and required in the circumstances; and
- c) that such amendments, modifications and/or additions made after the Final Hearing be approved by the Court and subject to the terms and conditions that the Court may deem appropriate and required in the circumstances, unless they are not significant and be related to an administrative question necessary to facilitate the implementation of the Plan of Arrangement;

[44] **ORDERS** that the Corporation be authorized to use proxies at the Meeting; that the Corporation be authorized, at its expense, to solicit proxies on behalf of its management, directly or through its officers, directors and employees, as well as through agents or representatives it may retain for that purpose, or by mail or such other forms of personal or electronic communication as it may determine; and that the Corporation may waive, in its discretion, the deadline for the filing of Proxies by the Monarch Securityholders if it considers advisable to do so;

[45] **ORDERS** that, in order for them to take effect, the Arrangement Resolutions must be approved by (i) 66 $\frac{2}{3}$ % of the votes cast on the Arrangement Resolution by the Monarch Securityholders present in person or represented by proxy at the Meeting, voting as a single class and (ii) a simple majority of the votes cast by the minority Monarch Shareholders (being the Monarch Shareholders entitled to vote at the Meeting other than the vote of interested parties)

(collectively the “Required Approval”);

[46] **ORDER** that the election of the directors of the Corporation, the appointment of KPMG LLP as the external auditors of the Corporation, and the adoption of the SpinCo Option Plan and the Spinco RSU Plan, subject to completion of the Arrangement, should be authorized by simple majority of the Monarch Shareholders;

[47] **ORDERS** that the Required Approval is sufficient to authorize and direct the Corporation to do all such necessary or desirable acts to give effect to the Arrangement and the Plan of Arrangement on a consistent basis with what is disclosed to the Monarch Securityholders in the Notice Documents (as defined hereinafter).

The Notice Documents

[48] **ORDERS** that the Corporation gives notice of the Meeting and serves the Application, by mailing or delivering via courier service in the manner hereinafter described and to the persons described in paragraph 49 hereafter, a copy of this Interim Order along with the following documents with such non-material modifications that the Corporation may deem to be necessary or desirable, provided that such amendments

are not inconsistent with the terms of this Interim Order (collectively, the “Notice Documents”):

- a) The Circular and its schedules, substantially consistent with the draft contained in Exhibit P-2;
- b) The Notice of Meeting, substantially consistent with the one attached to the Circular, Exhibit P-3;
- c) A proxy form for the registered Monarch Shareholders (the “Proxy Form”) substantially consistent with the draft contained in Exhibit P-4, which will be delivered with the Circular;
- d) A letter of transmittal for the registered Monarch Shareholders, substantially consistent with the draft contained in Exhibit P-5, which will be delivered with the Circular;
- e) A notice of Final Hearing, substantially consistent with the one attached to the Circular, Exhibit P-6, providing, among other things, the date, time and room where the Application for Final Order will be heard, and that a copy of the Final Order will be available on SEDAR;

[49] **ORDERS** that the Notice Documents be distributed to the following persons:

- a) The registered Monarch Securityholders, by mailing the Notice Documents in accordance with the CBCA and the by-laws of the Corporation at least 21 days prior to the date of the Meeting;
- b) The non-registered Monarch Shareholders, in accordance with Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer upon communication with the beneficial owners of securities of a reporting issuer;
- c) Members of the Monarch Board, and auditors of the Corporation by hand, by email or by a recognized courier service, at least 21 days prior to the date of the Meeting; and
- d) The Director appointed pursuant to the CBCA, by hand or by a recognized courier service, at least 21 days prior to the date of the Meeting.

[50] **ORDERS** that a copy of the Interim Order, which will be attached as an appendix to the Circular, will be filed on SEDAR following its issuance;

[51] **ORDERS** that the Record Date to determine the identity Shareholders entitled to receive the Notice Documents and to attend and to be heard at the Meeting and to vote on the Resolutions relating to the Arrangement and the Resolutions relating to the

election of the directors of the Corporation, the appointment of KPMG LLP as the external auditors of the Corporation and the adoption of the SpinCo Option Plan and the Spinco RSU Plan, subject to completion of the Arrangement, is fixed at the close of business (time of Quebec), on November 30, 2020;

[52] **ORDERS** that the Corporation may make such additions, modifications or reviews to the Notice Documents, as it deems appropriate, but without distort the essence of this Order, (the “Additional Documents”), which shall be distributed to the persons entitled to receive the Notice Documents pursuant to this Interim Order by the method and in the time determined by the Corporation to be the most practicable in the circumstances;

[53] **DECLARES** that the mailing, or delivery of the Notice Documents and the Additional Documents in accordance with this Interim Order as set out above constitutes good and sufficient notice of Meeting upon all persons, and that no other form of service of the Notice Documents and Additional Documents or any part thereof, or of the Application, or any other notice given or other document served to any person in respect to the Meeting is required;

[54] **ORDERS** that the Notice Documents and the Additional Documents be deemed, for the purposes of the present proceedings, to have been received and served upon:

- a) In the case of distribution by mail, three business days after delivery thereof to the post office;
- b) In the case of delivery by hand or by courier, upon receipt thereof at the intended recipient’s address; and
- c) In the case of delivery by facsimile transmission or by email, on the day of transmission.

[55] **DECLARES** that the accidental omission to give notice of the Meeting to one or more person specified in the Interim Order, or the non-receipt of the Notice Documents and Additional Documents by such person(s), shall not invalidate the resolutions passed at the Meeting or the proceedings herein, and that such omission shall not constitute a breach of the Interim Order or default in the calling of the Meeting, provided that if any omission is brought to the attention of the Corporation, it shall use reasonable efforts to rectify such omission by the method and in the delays it determines to be most reasonably practicable in the circumstances.

Rights of the Dissenting Monarch Shareholders

[56] **ORDERS** that, in accordance with the rights of the Dissenting Monarch Shareholders set forth in the Plan of Arrangement, any Registered Monarch Shareholder who wishes to dissent must provide a Notice of Dissent that has to be received by the Corporation, to the attention Mr. Jean Marc Lacoste, president,

Monarch Gold Corporation, 70, Dalhousie Street, Suite 300, (Quebec) G1K 4B2, email jm.lacoste@monarquesgold.com on or prior to 5:00 p.m. (Quebec time), December 28, 2020, representing the 2nd business day preceding the Meeting (or the resumption thereof in the event of adjournment or postponement);

[57] **DECLARES** that:

- a) any Dissenting Monarch Shareholder who has submitted a Notice of Dissent and who votes in favour of the Arrangement Resolutions or was present at the Meeting and abstains from voting on the Arrangement Resolutions shall no longer be considered having exercised its Dissent Right with respect to the Dissent Shares voted in favour of the Arrangement Resolutions or abstained from voting, and that a vote exercised against the Arrangement Resolutions or an abstention shall not constitute a Notice of Dissent;
- b) the Dissenting Monarch Shareholder who exercises its Dissent Right pursuant to the provisions of the CBCA, as modified by the Interim Order and the Plan of Arrangement, will be deemed to have transferred the Dissent Shares it holds and in respect of which Dissent Rights have been exercised, free and clear of all charges, on the Effective Date in accordance with Section 3.2(a) of the Plan of Arrangement, in consideration of a debt claim against Monarch for the fair value of its Dissent Shares in accordance with the amount determined and payable pursuant to Section 5 of the Plan of Arrangement;
- c) any Dissenting Monarch Shareholder who ultimately is entitled to be paid fair value for its Dissent Shares (i) will be deemed not to have participated to the transactions contemplated in Section 3 of the Plan of Arrangement (except with regards to paragraph 3.2(a) of the Plan of Arrangement); (ii) will be entitled to the fair value of the Dissent Shares, which value must be determined at 5:00 p.m. (eastern time) on the day preceding the adoption of the Arrangement Resolutions notwithstanding any provision to the contrary in Section XV of the CBCA; and (iii) will not be entitled to any other payment or consideration, including which would have been payable pursuant to the Arrangement had it not exercised its Dissent Right, in accordance with Section 5.1(a) of the Plan of Arrangement;
- d) any Dissenting Monarch Shareholder who is ultimately not entitled, for any reason, to be paid fair value for the Dissent Shares will be deemed to have participated in the Arrangement on the same basis as a non-dissenting Monarch Shareholder, in accordance with Section 5.1(b) of the Plan of Arrangement;
- e) any Dissenting Monarch Shareholder who waives or is deemed to have waived its Dissent Right will be deemed to have participated in the Arrangement, as of the Effective Date, and will be entitled to the same consideration for their Monarch Shares as the consideration received by the Monarch Shareholders

who have not exercised their Dissent Right, subject to the specific provisions of the CBCA, as modified by the Plan of Arrangement and the Interim Order;

[58] **ORDERS** that any Dissenting Monarch Shareholder wishing to apply to the Court to establish the fair value of the Dissent Shares in respect of which a Dissent Right has been validly exercised must apply to the Superior Court of Quebec and that for the purposes of the Arrangement contemplated in these proceedings, the “court” referred to in Section 190 of the CBCA means the Superior Court of Quebec;

[59] **ORDERS** that, as of the Effective Date (as defined in the Plan of Arrangement) and in accordance with the Dissent Right as set forth in the Plan of Arrangement, the Dissent Shares held by the Dissenting Monarch Shareholders shall be transferred to Monarch for cancellation, in accordance with the Interim Order;

[60] **ORDERS** that no Dissenting Monarch Shareholder shall be recognized as a Monarch Shareholder after having validly exercised its Dissent Right following the transfer provided in Section 3.2(a) of the Plan of Arrangement and allow for the name of that Dissenting Monarch Shareholder to be removed from the Monarch Shareholders register.

Final Order and Final Hearing

[61] **ORDERS** that, subject to the approval by the Monarch Securityholders of the Arrangement Resolutions as set forth in this Interim Order, the Corporation may ask this Court to authorize the Arrangement by way of a Final Order;

[62] **ORDERS** that the Application for the Final Order be presented before the Superior Court of Quebec, sitting in the Commercial Division in and for the district of Quebec, at the Quebec City Courthouse, located at 300, Jean-Lesage Blvd., Quebec, QC, G1K 8K6, on January 20, 2021, at 9:00 a.m., in Room 3.39.

[63] **ORDERS** that the delivery by mail, email or by hand of the Notice Documents constitutes good and sufficient service and notice of presentation of the Application for Final Order to all persons, whether those persons reside within Quebec or in another jurisdiction;

[64] **ORDERS** that subject to the Court deciding otherwise in accordance to the explanations provided, the only persons entitled to appear and be heard at the hearing of the Application for Final Hearing shall be the Corporation, Yamana and their respective representatives and any person that complies with the following:

- a) File an appearance with the Court’s registry of the Superior Court of Quebec (Commercial Chamber), district of Quebec and serve same on:
 - i) The Corporation’s legal counsel, to the attention of Me Richard Provencher, Stein Monast LLP, 70, Dalhousie Street, Suite 300, Quebec,

QC, G1K 4B2, by email : richard.provencher@steinmonast.ca, or by fax : (418) 523-5391;

- ii) Yamana's legal counsel, to the attention of Me Simon Clément, Lavery de Billy LLP, 925, Grande-Allée Ouest, Québec, Qc, G1S 1C1, by email : sclement@lavery.ca, or by fax : (418) 688-3458

No later than January 13, 2021, at 5:00 pm (Quebec time).

- b) If such person intends on contesting the Application for Final Order, it must also serve on Me Richard Provencher and Me Simon Clément (at the above email addresses and facsimile number), no later than January 18, 2021, at 5:00 pm (Quebec time), a written contestation supported as to the facts alleged by affidavit(s) and exhibit(s), if any;

[65] **ALLOWS** the Corporation to file any further evidence it deems appropriate, by way of supplementary affidavit(s) or otherwise, in connection with the Application for a Final Order.

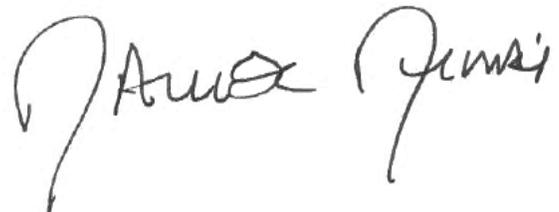
Miscellaneous

[66] **DECLARES** that the Corporation shall be entitled to seek leave to modify this Interim Order upon such terms and notice that the Court will deem appropriate;

[67] **DEMANDS** the assistance and appreciation of any court or judicial, regulatory or administrative institution in any Canadian Province or Territory, the Federal Court of Canada and any judicial, regulatory or administrative institution of the United States or of any other State or nation, to assist the Corporation and its agents in the performance of this Interim Order;

[68] **ORDERS** provisional execution of the judgement to be rendered on this Application for Interim Order, notwithstanding any appeal therefrom, and without the necessity of providing any security;

[69] **THE WHOLE** without costs.



DANIEL DUMAIS, S.C.J.

Stein Monast, Casier #14
M^e David Ferland

M^e Richard Provencher
M^e Mathieu Ayotte
Attorneys of Monarch Gold Corporation

Lavery de Billy
M^e Simon Clément
Attorney of Yamana Gold Inc.

Director appointed under section 260 of the CBCA
Mr. Karim Mikaël
Corporations Canada
C.D.-Howe Building, 7th Floor West,
235, Queen Street, Ottawa (Ontario) K1A 0H5

Date of hearing: November 25, 2020

APPENDIX E

INFORMATION CONCERNING MONARCH

Overview

Monarch was incorporated under the CBCA by articles of incorporation on February 16, 2011 under the name “Monarques Resources Inc.” and its French version “Ressources Monarques Inc.”. On November 22, 2011, Monarch filed articles of amendment to allow the directors of Monarch to appoint one or more additional directors in accordance with the provisions of subsection 106(8) of the CBCA. On January 12, 2015, Monarch changed its name to “Monarques Gold Corporation” and its French version “Corporation Aurifère Monarques”. On January 18, 2019, Monarch changed the English version of its name to “Monarch Gold Corporation”. Monarch’s French version remains “Corporation Aurifère Monarques”.

Monarch is an emerging gold mining company focused on pursuing growth through its large portfolio of quality projects in the Abitibi mining camp, in Québec, Canada. Monarch currently owns over 315 km² of gold properties in the Abitibi mining camp in Québec, Canada, including the Wasamac Property, the Beaufor Mine, the Croinor Property, the McKenzie Property, the Swanson Property and the Camflo Property. The Corporation also owns the fully permitted and functional Camflo mill and the Beacon Mill. Monarch’s only material property is the Wasamac Property.

Monarch is a reporting issuer in British Columbia, Alberta, Ontario and Québec. The Monarch Shares currently trade on the TSX, the OTCQX and the Frankfurt Stock Exchange. Monarch’s head office is located at 70, Dalhousie Street, Suite 300, Québec, Québec G1K 4B2 and its registered office is located at 68 Avenue de la Gare, Suite 205, Québec, Québec J0R 1R0.

For further information regarding Monarch, refer to its filings with the Canadian securities regulators which have been filed by Monarch under its profile on SEDAR at www.sedar.com.

Recent Developments

On October 1, 2020, Monarch reported the first results from its 2020 exploration diamond drilling program on its wholly owned Beaufor Mine. The results include a significant number of high-grade assays, including 783 grams per tonne over 0.2 meters and 293 grams per tonne Au over 0.5 meters.

On November 2, 2020, Monarch announced that it had entered into the Arrangement Agreement with Yamana pursuant to which Yamana will acquire the Wasamac Property and the Camflo Property and mill through the acquisition of all of the outstanding Monarch Shares for total consideration of approximately \$200 million or \$0.63 per Monarch Share on a fully diluted basis under the Plan of Arrangement.

Consolidated Capitalization

There have been no material changes in the share and loan capital of Monarch, on a consolidated basis, since September 30, 2020, the date of Monarch’s most recent financial statements, which are incorporated by reference in this Circular, other than:

- (a) the issuance of an aggregate of 1,500,000 Monarch Shares upon the exercise of outstanding Monarch Warrants, for aggregate cash consideration of \$435,000;
- (b) the issuance of an aggregate of 562,500 Monarch Shares upon the exercise of outstanding Monarch Options, for aggregate cash consideration of \$135,000;
- (c) the issuance of an aggregate of 4,052,380 Monarch Shares, as payment of the balance of the purchase price in connection with the acquisition of the Fayolle property, the McKenzie Property and the Swanson Property.

Description of Share Capital

Monarch is authorized to issue an unlimited number of common shares at no par value. The Monarch Shares are listed on the TSX under the symbol “MQR”, the OTCQX under the symbol “MRQRF” and the Frankfurt Stock Exchange under the symbol “MR7.F”. There were 321,200,833 Monarch Shares, 27,741,730 Monarch Warrants and 12,175,000 Monarch Options issued and outstanding at the close of business on November 30, 2020.

Monarch Shares

Holders of Monarch Shares are entitled to vote at all shareholder meetings. They are also entitled to dividends, if, as and when declared by the Board and, upon liquidation or winding-up of Monarch, to share the residual assets of Monarch. The Monarch Shares do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the Monarch Shares, all of which rank equally as to all benefits which might accrue to the holders of the Monarch Shares.

Price Range and Trading Volume

The following table sets forth information relating to the monthly trading of the Monarch Shares on the TSX for the 12-month period prior to the date of this Circular:

Month	High (\$)	Low (\$)	Volume
November 2019	0.240	0.205	1,811,991
December 2019	0.225	0.195	3,105,348
January 2020	0.225	0.180	4,642,474
February 2020	0.205	0.170	5,227,291
March 2020	0.195	0.110	3,755,679
April 2020	0.265	0.125	7,902,773
May 2020	0.310	0.220	21,915,124
June 2020	0.400	0.230	21,664,995
July 2020	0.580	0.365	21,059,160
August 2020	0.590	0.440	13,110,903
September 2020	0.540	0.440	7,424,700
October 2020	0.515	0.385	7,406,859
November 2020	0.60	0.495	22,963,930

The closing price of the Monarch Shares on the TSX on October 30, 2020, the last trading day prior to the announcement of the Arrangement, was \$0.44.

The closing price of the Monarch Shares on the TSX on November 30, 2020 was \$0.52.

Prior Sales

For the 12-month period prior to the date of this Circular, Monarch issued or granted Monarch Shares and securities convertible into Monarch Shares as listed in the table below. Other than the issuances listed in the table below, Monarch has not issued any Monarch Shares or securities convertible into Monarch Shares within the 12 months preceding the date of this Circular.

Date of Issuance	Price per Monarch Share or Exercise Price per Monarch Option (\$)	Number and Type of Security	Reason for Issuance
January 15, 2020	\$0.13	200,000 Monarch Shares	Exercise of Monarch Options
February 24, 2020	\$0.25	4,000,000 Monarch Shares	Private placement
February 25, 2020	\$0.25	3,300,000 Monarch Shares	Purchase price of assets
April 15, 2020	\$0.12	675,000 Monarch Shares	Exercise of Monarch Options
April 20, 2020	\$0.25	1,133,334 Monarch Shares	Purchase price of assets

Date of Issuance	Price per Monarch Share or Exercise Price per Monarch Option (\$)	Number and Type of Security	Reason for Issuance
April 28, 2020	\$0.12	75,000 Monarch Shares	Exercise of Monarch Options
June 10, 2020	\$0.24	22,582,500 Monarch Shares	Private placement
June 10, 2020	Nil	11,291,250 Monarch Warrants	Private placement
July 8, 2020	\$0.08	400,000 Monarch Shares	Exercise of Monarch Options
July 15, 2020	\$0.40	2,815,000 Monarch Options	Compensation annual awards
July 23, 2020	\$0.31	25,000 Monarch Shares	Exercise of Monarch Options
July 27, 2020	\$0.31	32,500 Monarch Shares	Exercise of Monarch Options
August 13, 2020	\$0.10	75,000 Monarch Shares	Exercise of Monarch Options
August 16, 2020	\$0.25	12,000,000 Monarch Shares	Purchase price of assets
September 17, 2020	\$0.72	9,030,000 Monarch Shares	Flow-through private placement of Québec flow-through units
September 17, 2020	Nil	4,515,000 Monarch Warrants	Flow-through private placement of Québec flow-through units
September 17, 2020	\$0.57	11,404,000 Monarch Shares	Flow-through private placement of flow-through units
September 17, 2020	Nil	5,702,000 Monarch Warrants	Flow-through private placement of flow-through units
September 3, 2020	\$0.37	32,500 Monarch Shares	Exercise of Monarch Options
November 11, 2020	\$0.29	1,500,000 Monarch Shares	Exercise of Monarch Warrants
November 13, 2020	\$0.56	1,785,714 Monarch Shares	Purchase price of assets
November 16, 2020	\$0.56	2,266,666 Monarch Shares	Purchase price of assets
November 26, 2020	\$0.24	562,500 Monarch Shares	Exercise of Monarch Options

Previous Distribution

Except as set forth below, Monarch has not distributed Monarch Shares during the five years prior to the date of this Circular:

- (a) From July 1, 2020 to the date of this Circular, Monarch issued 565,000 Monarch Shares pursuant to the exercise of Monarch Options, with a weighted average exercise price of \$0.44 per Monarch Share, for aggregate proceeds of \$251,313;
- (b) From July 1, 2020 to the date of this Circular, Monarch issued 1,500,000 Monarch Shares pursuant to the exercise of Monarch Warrants, with a weighted average exercise price of \$0.29 per Monarch Share, for aggregate proceeds of \$435,000;
- (c) On November 16, 2020, Monarch issued 2,266,666 Monarch Shares to Typhoon Exploration Inc. for the final payment of the balance of the purchase price owing in connection with the acquisition of the Fayolle property;
- (d) On November 13, 2020, Monarch issued 1,785,714 Monarch Shares to Agnico Eagle Mines Ltd. for the payment of the balance of the purchase price owing in connection with the acquisition of the McKenzie Property and the Swanson Property;
- (e) On September 17, 2020, Monarch completed a bought deal private placement of 9,030,000 units of Monarch at a price of \$0.72 per unit for aggregate gross proceeds of \$6,501,600. Each unit consisted of one Monarch Share, issued on a flow-through basis, and one-half of a Monarch Warrant;
- (f) On September 17, 2020, Monarch completed a bought deal private placement of 11,404,000 units of Monarch at a price of \$0.57 per unit for aggregate gross proceeds of \$6,500,280. Each unit consisted of one Monarch Share, issued on a flow-through basis, and one-half of a Monarch Warrant;

- (g) During its fiscal year ended June 30, 2020, Monarch issued 950,000 Monarch Shares pursuant to the exercise of Monarch Options, with a weighted average exercise price of \$0.16 per Monarch Share, for aggregate proceeds of \$153,875;
- (h) On June 9, 2020, Monarch 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 consisted of one Monarch Share and one-half of a Monarch Warrant. Each whole Monarch Warrant entitled the holder to purchase one Monarch Share at an exercise price of \$0.29 for a period of 36 months following the closing of the financing;
- (i) On April 20, 2020, Monarch issued 1,133,334 Monarch Shares to Typhoon Exploration Inc. as partial satisfaction of the purchase price owing in connection with the acquisition of the Fayolle property;
- (j) On February 25, 2020, Monarch completed the acquisition of mining claims adjacent to the McKenzie Break property. In consideration, Monarch issued 3,300,000 Monarch Shares totaling \$643,500. These Monarch Shares are subject to restrictions on their transfer for a period of up to 36 months;
- (k) On February 24, 2020, Monarch completed a private placement of 4,000,000 units of Monarch at a price of \$0.25 per unit for aggregate gross proceeds of \$1,000,000, issued on a flow-through basis;
- (l) On November 27, 2019, Monarch completed the acquisition of mining claims adjacent to the Wasamac Property. In consideration, Monarch issued 1,000,000 Monarch Shares at a price of \$0.22. These Monarch Shares were subject to restrictions on their transfer for a period of up to 12 months;
- (m) On August 19, 2019, Monarch completed the acquisition of a 100% interest in the Fayolle property. In consideration, Monarch issued 12,000,000 Monarch Shares to Hecla Quebec Inc.;
- (n) During its fiscal year ended June 30, 2019, Monarch issued 745,000 Monarch Shares pursuant to the exercise of Monarch Options, with a weighted average exercise price of \$0.20 per Monarch Share, for aggregate proceeds of \$152,100;
- (o) On May 9, 2019, Monarch 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 Monarch Shares;
- (p) On April 25, 2019, Monarch completed a private placement of 2,424,242 units of Monarch at a price of \$0.33 per unit for aggregate gross proceeds of \$800,000, issued on a flow-through basis;
- (q) On April 18, 2019, Monarch completed a private placement of 3,636,364 units of Monarch at a price of \$0.33 per unit for aggregate gross proceeds of \$1,200,000, issued on a flow-through basis;
- (r) On January 8, 2019, Monarch issued 2,812,940 Monarch Shares in payment of a purchase price balance representing \$600,000;
- (s) On December 13, 2018, Monarch completed a private placement of 3,029,606 units of Monarch at a price of \$0.33 per unit for aggregate gross proceeds of \$999,770, issued on a flow-through basis;
- (t) On October 1, 2018, Monarch issued 170,000 Monarch Shares in payment of the acquisition of a mining property representing \$27,300;
- (u) During its fiscal year ended June 30, 2018, Monarch issued 790,000 Monarch Shares pursuant to the exercise of Monarch Options, with a weighted average exercise price of \$0.29 per Monarch Share, for aggregate proceeds of \$225,200;
- (v) During its fiscal year ended June 30, 2018, Monarch issued 6,758,031 Monarch Shares pursuant to the exercise of Monarch Warrants, with a weighted average exercise price of \$0.16 per Monarch Share, for aggregate proceeds of \$1,083,421;
- (w) On March 12, 2018, Monarch completed a non-brokered private placement for the issuance of 12,820,513 units of Monarch priced at \$0.39 per unit, for gross proceeds of \$5,000,000. Each unit was comprised of one Monarch Share and one-half of a Monarch Warrant. Each Monarch Warrant entitled the Monarch

Optionholder thereof to purchase one Monarch Share at a price of \$0.45 for a period of 36 months following the closing of the private placement;

- (x) On December 21, 2017, Monarch entered into an agreement to acquire the McKenzie Property and the Swanson Property from Agnico Eagle Mines Ltd. To acquire the McKenzie Property and the Swanson Property, Monarch paid Agnico Eagle Mines Ltd. a total of \$4,600,000, of which \$1,600,000 was payable in cash and \$3,000,000 was payable in Monarch Shares over a four-year period including on closing, \$600,000 in Monarch Shares representing 2,822,222 Monarch Shares upon issuance;
- (y) On November 16, 2017, Monarch completed a private placement of 8,984,033 units of Monarch at a price of \$0.375 per unit for aggregate gross proceeds of \$3,369,013, issued on flow-through basis;
- (z) On October 2, 2017, Monarch completed a non-brokered private placement of 18,643,573 Monarch Shares at a price of \$0.35 per Monarch Share, for gross proceeds of \$6,525,251;
- (aa) On October 2, 2017, Monarch acquired all the mining assets of Richmond Mines Inc. in the province of Québec, including the Wasamac Property and the Camflo Property. In exchange, Monarch issued 34,633,203 Monarch Shares, representing 19.9% of its issued and outstanding Monarch Shares on an undiluted basis, having a market value of \$12,121,621;
- (bb) During its fiscal year ended June 30, 2017, Monarch issued 1,020,000 Monarch Shares pursuant to the exercise of Monarch Options, with a weighted average exercise price of \$0.20 per Monarch Share, for aggregate proceeds of \$204,350;
- (cc) During its fiscal year ended June 30, 2017, Monarch issued 10,578,239 Monarch Shares pursuant to the exercise of Monarch Warrants, with a weighted average exercise price of \$0.14 per Monarch Share, for aggregate proceeds of \$1,488,082;
- (dd) On March 8, 2017, Monarch completed a private placement of 5,038,000 units of Monarch at a price of \$0.66 per unit for aggregate gross proceeds of \$3,325,080, issued on a flow-through basis;
- (ee) On March 8, 2017, Monarch completed a brokered private placement of an aggregate of 4,034,522 units of Monarch, at a price of \$0.45 per unit for gross proceeds of \$1,815,535. Each unit was comprised of one Monarch Share in the capital of Monarch and one Monarch Warrant. Each Monarch Warrant entitled the holder thereof to purchase one additional Monarch Share in the capital of Monarch at a price of \$0.60 per Monarch Share for a period of 36 months following the closing of the private placement;
- (ff) On March 8, 2017, as payment for the purchase of a royalty, Monarch issued 444,444 Monarch Shares at price of \$0.45 per Monarch Share;
- (gg) On December 23, 2016, Monarch completed private placement of 1,330,000 units of Monarch at a price of \$0.35 per unit for aggregate gross proceeds of \$465,500, issued on a flow-through basis;
- (hh) On December 16, 2016, Monarch completed private placement of 3,052,130 units of Monarch at a price of \$0.35 per unit for aggregate gross proceeds of \$1,068,246, issued on a flow-through basis;
- (ii) On July 7, 2016, Monarch completed a private placement of 4,083,333 units of Monarch at a price of \$0.51 per unit for aggregate gross proceeds of \$2,082,500, issued on a flow-through basis;
- (jj) Monarch issued 1,308,900 Monarch Shares in July 2016 and 2,431,650 Monarch Shares in October 2016 as payment for the acquisition of the Beacon Gold Property;
- (kk) During its fiscal year ended June 30, 2016, Monarch issued 175,000 Monarch Shares pursuant to the exercise of Monarch Options, with a weighted average exercise price of \$0.19 per Monarch Share, for aggregate proceeds of \$33,778;
- (ll) During its fiscal year ended June 30, 2016, Monarch issued 7,215,549 Monarch Shares pursuant to the exercise of Monarch Warrants, with a weighted average exercise price of \$0.15 per Monarch Share, for aggregate proceeds of \$1,047,961;

- (mm) On December 18, 2015, Monarch completed a private placement of 2,000,000 units of Monarch at a price of \$0.11 per unit for aggregate gross proceeds of \$220,000, issued on a flow-through basis;
- (nn) On November 6, 2015, Monarch closed a non-brokered private placement of an aggregate of 3,875,000 units of Monarch, priced at \$0.08 per unit, for gross proceeds of \$310,000; and
- (oo) On May 26, 2016, Monarch closed a brokered private placement of an aggregate of 17,142,860 units of Monarch, priced at \$0.175 per unit, for gross proceeds of \$3,000,001.

Dividends or Capital Distributions

Monarch has not, since the date of its incorporation, declared or paid any cash dividends or capital distributions on the Monarch Shares and does not currently have a policy with respect to the payment of dividends. Under the terms of the Arrangement Agreement, Monarch has agreed not to declare, set aside or pay dividends on the Monarch Shares prior to the Effective Date.

Risk Factors

An investment in Monarch Shares and the completion of the Arrangement are subject to certain risks. In assessing the Arrangement, Monarch Securityholders should carefully consider the risks described under “*The Arrangement – Risks Associated with the Arrangement*” and the risks described under the heading “*Risk Factors*” in the Monarch AIF and the risk factors described in the Monarch Annual MD&A which are incorporated by reference in this Circular.

Additional Information

Information has been incorporated by reference in this Circular from documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Mr. Jean-Marc Lacoste, President and Chief Executive Officer of Monarch at 68 Avenue de la Gare, Suite 205, Saint-Sauveur, Québec J0R 1R0, and have been filed by Monarch under its profile on SEDAR at www.sedar.com. The filings of Monarch through SEDAR are not incorporated by reference in this Circular except as specifically set out herein.

The following documents, filed by Monarch with the applicable Canadian securities regulators, are specifically incorporated by reference into, and form an integral part of, this Circular:

- (a) the annual information form of Monarch for the fiscal year ended June 30, 2020 dated September 23, 2020 (the “**Monarch AIF**”);
- (b) the Monarch Annual Financial Statements, together with the auditor’s report thereon;
- (c) management’s discussion and analysis of Monarch for the fiscal year ended June 30, 2020 (the “**Monarch Annual MD&A**”);
- (d) the unaudited consolidated condensed interim financial statements for the three months ended September 30, 2020, except for the notice therein provided under section 4.3(3)(a) of NI 51-102;
- (e) management’s discussion and analysis of Monarch for the three months ended September 30, 2020;
- (f) the management information circular of Monarch dated November 7, 2019 prepared in connection with the annual meeting of shareholders of Monarch held on December 12, 2019;
- (g) the material change report dated November 11, 2020 in respect of the Arrangement;
- (h) the material change report dated September 23, 2020 in respect of the \$13 million bought deal private placement of flow-through units of Monarch;
- (i) the material change report dated June 12, 2020 in respect of the closing of the sale of the Fayolle property to IAMGOLD Corporation; and
- (j) the material change report dated August 26, 2019 in respect of the closing of the Fayolle property acquisition.

Any document of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 –*Short Form Prospectus Distributions* (excluding confidential material change reports), if filed by Monarch with the securities commissions or similar regulatory authorities in the applicable provinces of Canada after the date of this shall be deemed to be incorporated by reference in the Circular.

Any statement contained in this Circular or in any other document incorporated or deemed to be incorporated by reference in this Circular shall be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular except as so modified or superseded.

APPENDIX F
INFORMATION CONCERNING SPINCO

No securities regulatory authority (including, without limitation, any securities regulatory authority of any Canadian province or territory, the United States Securities and Exchange Commission, or any securities regulatory authority of any U.S. State) has expressed an opinion about the securities described herein and it is an offence to claim otherwise.



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NOTICE TO READER

The following is a summary of the principal features of Monarch Mining Corporation (“SpinCo”) and its expected business and operations which should be read together with the other information and financial statements contained in the management information circular (the “Circular”) of Monarch Gold Corporation (“Monarch”), to which this Appendix F is attached. The information contained in this Appendix F, unless otherwise indicated, is given as of November 30, 2020, the date of the Circular. All capitalized terms used in this Appendix F that are not otherwise defined herein have the meaning ascribed to such terms elsewhere in the Circular.

The Arrangement provides Monarch Shareholders with the opportunity to participate in SpinCo. Assuming the Arrangement Resolution is approved, immediately following the Effective Time, a Monarch Shareholder (other than a Dissenting Monarch Shareholder) will receive, among the other consideration payable, for each Monarch Share held or to which the Monarch Shareholder would otherwise be entitled upon the surrender or exercise of Monarch Options, or upon exercise of a Monarch Warrants, prior to the Effective Date, 0.20 of a SpinCo Share and SpinCo will own the SpinCo Assets (as defined herein).

Unless otherwise indicated herein, references to “\$”, “CS” or “Canadian dollars” are to Canadian dollars and references to “US\$” or “U.S. dollars” are to United States dollars. See also in the Circular “*Forward-Looking Information*”.

CORPORATE STRUCTURE AND HISTORY

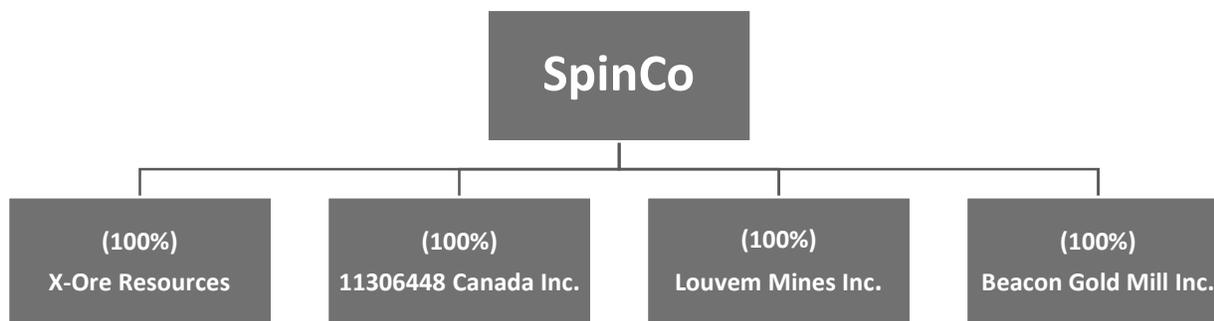
SpinCo was incorporated under the name “Monarch Mining Corporation / Corporation Minière Monarch” under the CBCA by articles of incorporation dated November 11, 2020 for the purposes of completing the Arrangement. The registered and head office of SpinCo is located at 68 Avenue de la Gare, Suite 205, Saint-Sauveur, Québec J0R 1R0.

SpinCo has not carried on any active business since its incorporation. SpinCo is not a reporting issuer (or the equivalent) in any jurisdiction. SpinCo has applied to have the SpinCo Shares listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved SpinCo's listing application and there is no assurance that the TSX will approve the listing application. Upon completion of the Arrangement, SpinCo expects to become a reporting issuer (or the equivalent) in Québec, Ontario, British Columbia and Alberta. It is a condition to the completion of the Arrangement, that the SpinCo Shares will have been conditionally approved for listing on the TSX, or such other recognized stock exchange on or before the Effective Date.

SpinCo is currently a wholly-owned subsidiary of Monarch. At the Effective Time, SpinCo will cease to be a wholly-owned subsidiary of Monarch and it is expected that 100 % of the SpinCo Shares will be owned by Former Monarch Shareholders (other than Dissenting Monarch Shareholders). Pursuant to the Arrangement, SpinCo will acquire the SpinCo Assets (as defined herein). Following completion of the Arrangement, SpinCo intends to be engaged in the development and exploration of the SpinCo Properties (as defined herein) as well as the acquisition of additional exploration properties. See in this Appendix F, “*Description of the Business*”. In addition, SpinCo will have approximately \$14 million in cash. See in this Appendix F, “*General Description of the Business*” and “*Available Funds*”, and see in the Circular, “*The Arrangement*”.

While SpinCo plans to obtain a listing for the SpinCo Shares, there can be no assurance as to when, or if, the SpinCo Shares will be listed on the TSX or on any other stock exchange. **As at the date of the Circular, there is no market through which the SpinCo Shares, to be distributed pursuant to the Arrangement, may be sold, and SpinCo Shareholders may not be able to resell them. This may affect the pricing of the SpinCo Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the SpinCo Shares, and the extent of the regulations to which SpinCo is subject.** See in this Appendix F, “*Market for Securities*” and “*Risk Factors—No Assurance of Listing of SpinCo Shares*”.

As of the date of the Circular, SpinCo does not have any subsidiaries. However, upon completion of the Arrangement, it is expected that SpinCo will own the following subsidiaries (the “**SpinCo Subsidiaries**”). All of the shares of the SpinCo Subsidiaries are expected to be held directly by SpinCo.



DESCRIPTION OF THE BUSINESS

General Description of the Business

Following completion of the Arrangement, SpinCo will have the following objectives: evaluating the economic potential of re-starting the Beaufor Mine operations within the next 12 to 18 months, pursuing the growth of the SpinCo Properties, as well as acquiring and exploring additional properties that have the potential for precious and base metals discoveries, located mainly within Québec, Canada. SpinCo's strategy will be to create shareholder value through the acquisition, exploration, advancement and development of mineral properties.

Following completion of the Arrangement, SpinCo will have acquired the following mineral claims (whether patented or unpatented), concessions, leases, licenses, surface rights or other mineral rights and other interests, within the following gold properties in the Abitibi mining camp or the region of Chapais, accordingly, in Québec from Monarch:

- the Beaufor mine and property (the "**Beaufor Mine**")
- the McKenzie Break property (the "**McKenzie Property**")
- the Croinor Gold property (the "**Croinor Property**")
- the Swanson property (the "**Swanson Property**")
- the Beacon Gold property (the "**Beacon Gold Property**") and the Beacon gold mill (the "**Beacon Mill**")
- the Orbite property (the "**Orbite Property**")

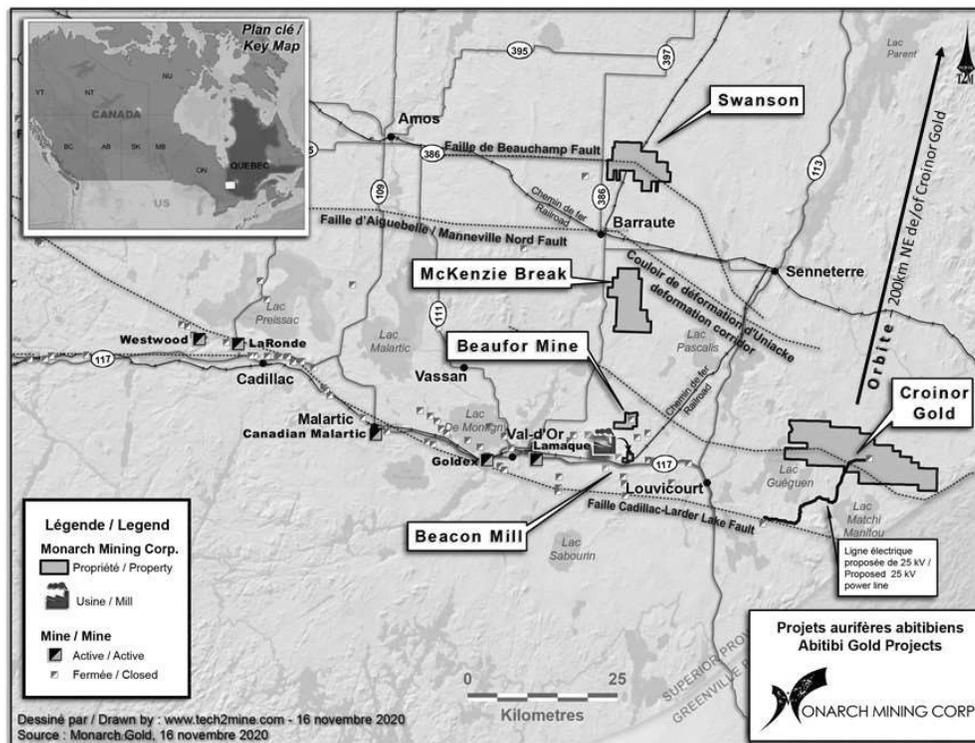
(collectively, the "**SpinCo Properties**").

Following completion of the Arrangement, SpinCo will also have acquired from Monarch certain cash and other assets, including (i) the lease of Monarch's existing offices located at 68 Avenue de la Gare, Suite 205, Saint-Sauveur, Québec J0R 1R0, (ii) office furniture, office equipment and office supplies located at the office location referred to in paragraph (i) above, (iii) all fixed assets and inventories of Monarch relating exclusively to the SpinCo Properties or located within the boundaries of the SpinCo Properties or at the office location referred to above in paragraph (i) above, (iv) all joint venture, earn-in, other contracts entered into by Monarch, and royalties or other similar rights that relate exclusively to the SpinCo Properties, (v) all exploration information, data reports and studies including all geological, geophysical and geochemical information and data (including all drill, sample and assay results and all maps) and all technical reports, feasibility studies and other similar reports and studies of all nature concerning the SpinCo Properties in Monarch's possession or control relating to the SpinCo Properties, (vi) \$14,000,000 in cash; and (vii) the shares of the SpinCo Subsidiaries (collectively, with the SpinCo Properties, the "**SpinCo Assets**") and will assume all of the liabilities of Monarch, contingent or otherwise, which pertain to, or arise in connection with, the operation of the SpinCo Assets (the "**SpinCo Liabilities**"), as described in Schedule I to this Appendix F, "*SpinCo's Combined Carve-Out Financial Statements*".

Mining property rights to be held by SpinCo following completion of the Arrangement

Entity	Properties	Mining Concessions			Area (ha)	Mining Lease			Area (ha)	Number of claims	Rights (%)
		Number	Date of Registration	Expiry Date		Number	Date of Registration	Expiry Date			
Monarch Gold Corporation	Beaufor Mine	CM-280PTA	1936-05-09	None	112,91	None	N/A	N/A	N/A	23	100%
		None	N/A	N/A	N/A	BM-858	2003-03-12	2023-03-11	21,83		
			N/A	N/A	N/A	BM-1018	2013-09-17	2033-09-16	32,62		
			N/A	N/A	N/A	BM-750	1986-06-03	2026-06-02	37,5		
	McKenzie Property	None	N/A	N/A	N/A	None	N/A	N/A	N/A	133	100%
	Swanson Property	None	N/A	N/A	N/A	BM-885	2011-07-20	2031-07-19	93,01	127	100%
Orbite Property	None	N/A	N/A	N/A	None	N/A	N/A	N/A	11	100%	
Beacon Gold Mill Inc.	Beacon Gold Property	CM-356PTB	1947-08-12	None	92,65	None	N/A	N/A	N/A	11	100%
X-Ore Resources Inc.	Croinor Property	None	N/A	N/A	N/A	BM-862	2004-07-06	2024-07-05	89,72	337	100%

Location of the SpinCo Properties



Recent Development on the SpinCo Properties

<i>SpinCo Properties</i>	<i>Recent developments</i>
Beaufor Mine:	In June 2020, Monarch finalized an exploration plan aimed at discovering new areas at easily accessible levels, as well as areas at more remote levels, and started a 42,500-metre drilling program at the Beaufor Mine. Production at the Beaufor Mine was suspended by Monarch on June 30, 2019, and the mine is currently on care and maintenance.
McKenzie Property:	On February 27, 2020, Monarch completed the acquisition of 91 mining claims surrounding the McKenzie Property from a group of private companies and prospectors. In addition, Monarch also acquired an additional 33 mining claims by way of staking. In total, the McKenzie Property now comprises a total of 134 mining claims covering a total area of 5,106.9 ha (51 km ²). On July 23, 2020, Monarch also announced the results of a four-hole, 1,896-metre drilling program which took place from March to May 2020. Monarch discovered the highest single gold assay result on the property with an intersect of 311 g/t Au over 0.5 metres, more than 115 grains of visible gold throughout the 14.35 m intersection, and obtained impressive results over a wide intercept in hole MK-20-255, confirming the continuity of the mineralized zone below and south of the current resource. Hole MK-20-255 returned 13.95 g/t Au over 14.35 metres, including 311 g/t Au over 0.5 metres, 25.40 g/t Au over 0.85 metres and 15.10 g/t Au over 1.00 metre, which included a newly identified gold-bearing zone below our targeted horizon that returned 27.15 g/t Au over 2.0 metres, indicating a potential for additional stacked veins. Hole MK-20-253 returned 5.34 g/t Au over 7.20 metres, including 23.60 g/t Au over 1.00 metre and 14.35 g/t Au over 0.70 metres.
Croinor Property:	In 2018, Monarch conducted exploration work on the Croinor Property, which focused on the expansion and infilling of the Croinor gold deposit. Monarch reported the last assay results of this drilling campaign on February 4, 2019.
Swanson Property:	In June 2020, Monarch drilled one hole across a magnetic high conductor on its Swanson Property. The target is a geophysical magnetic high along the same geological stratigraphy as the Swanson and Manville deposits. A mineral resource estimate on the property completed for Monarch in 2018 identified an indicated resource of 1,752,100 t at a grade of 1.85 g/t Au (104,100 oz Au) and an inferred resource of 74,000 t at a grade of 2.96 g/t Au (7,100 oz Au). The property has promising exploration potential and drilling to date has been limited.

Of the SpinCo Properties, the Beaufor Mine is considered to be material for the purposes of National Instrument 43-101—*Standards of Disclosure for Mineral Projects* (“NI 43-101”). See in this Appendix F, “*Principal Properties - The Beaufor Mine, Val-d’Or, Québec, Canada*”.

SpinCo Conveyance Agreement

As of the day prior to the Effective Date, SpinCo will have entered into a conveyance agreement (the “**SpinCo Conveyance Agreement**”) with Monarch, pursuant to which SpinCo will acquire the SpinCo Assets from Monarch and assume all of the SpinCo Liabilities.

Business Objectives and Operations

Following completion of the Arrangement, SpinCo will have the following objectives: evaluating the economic potential of re-starting the Beaufor Mine operations within the next 12 to 18 months, pursuing the growth of the SpinCo Properties, as well as acquiring and exploring additional properties that have the potential for precious and base metals discoveries, located mainly within Québec, Canada.

Market Opportunities

SpinCo will consider the acquisition of additional mineral property interests, or corporations holding mineral property interests, on a going-forward basis after the Effective Time, with the objectives of: (i) creating additional value for shareholders through the acquisition of additional mineral exploration properties; and (ii) helping to minimize exploration or production risk by attempting to diversify SpinCo’s portfolio of properties. Although SpinCo believes that the re-start

of the Beaufor Mine operations are positive and that the other SpinCo Properties show considerable upside potential, mineral production and exploration in general is both uncertain and subject to fluctuating commodity prices resulting from changing trends in supply and demand. See in this Appendix F, “*Risk Factors — Commodity prices*” and “*Risk Factors — Exploration*”. As a result, acquiring additional mineral properties, some of which may be prospective in other commodities, may minimize overall production and exploration risk and risks associated with fluctuating commodities. Accordingly, SpinCo may seek to acquire additional mineral resource properties in the near future. However, there can be no assurance that SpinCo will be able to identify suitable additional mineral properties, that SpinCo will have sufficient financial resources to acquire such mineral properties, or that such properties will be available on terms acceptable to SpinCo or at all. See in this Appendix F, “*Risk Factors — Reliance on a Limited Number of Properties*”.

In determining whether to make an expenditure to acquire an additional mineral property that SpinCo considers prospective, the board of directors of SpinCo (the “**SpinCo Board**”) will consider criteria such as the exploration history of the property, its location, or a combination of these and other factors. There can be no assurances that SpinCo will be able to identify any such properties, or to acquire any such properties on favorable terms. Risk factors to be considered in connection with SpinCo’s search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by SpinCo may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title, option and/or joint venture agreements, and property disputes; the competition faced by SpinCo; and the potential failure of SpinCo to generate adequate funding for any such acquisitions. See in this Appendix F, “*Available Funds and Principal Purposes*”.

As SpinCo’s portfolio of properties grows, SpinCo anticipates that there will be a greater emphasis on the exploration of such properties, with the long-term goal of developing the properties and achieving commercial production. SpinCo may enter into partnerships or joint ventures in order to fully exploit the exploration and production potential of its assets.

Environmental Regulation

All aspects of SpinCo’s field operations will be subject to environmental regulations and generally will require approval by appropriate regulatory authorities prior to commencement. Any failure to comply with applicable environmental regulations could result in fines and penalties. Should any projects advance to the production stage, including the Beaufor Mine, then more time and capital would be required in satisfying environmental protection requirements. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breaches of such requirements may also result in the suspension or revocation of necessary licenses and authorizations, potential civil liability and the imposition of fines and penalties, all of which might have a significant negative impact on SpinCo. See in this Appendix F, “*Risk Factors — Government Regulations*”.

Social and Environmental Policies

SpinCo will operate under principles of good environmental and sociological practices, and it will be an objective of SpinCo to be a responsible operator and friendly neighbor. SpinCo’s goal will be to work with community stakeholders to make positive contributions to local economic development.

Employees

As of the date of the Circular, SpinCo does not have any employees. At the Effective Time, SpinCo expects to have 22 full time employees and seven contractors. All of SpinCo’s employees will be former employees of Monarch. SpinCo also intends to retain, from time to time, contractors and consultants to perform specialized services.

In August 2020, a new collective agreement was concluded for a four-year period ending on December 31, 2024 and will be applicable to SpinCo.

SpinCo believes that its success is dependent on the performance of its management and key employees, many of whom will have specialized knowledge and skills relating to the precious metals and mineral production and exploration business. SpinCo believes it will have adequate personnel with the specialized skills required to successfully carry out its operations. See in this Appendix F, “*Risk Factors — Key Personnel*”.

Competitive Conditions

The mining industry is competitive in all phases of exploration, development and production. SpinCo will compete with numerous companies and individuals that have resources significantly in excess of the resources of SpinCo, in the search for (i) attractive mineral properties; (ii) qualified service providers and employees; and (iii) equipment and suppliers. The

ability of SpinCo to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its current properties, but also on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. As a result of this competition, SpinCo may be unable to acquire attractive properties in the future on terms it considers acceptable or at all. Factors beyond the control of SpinCo may affect the marketability of any minerals mined or discovered by SpinCo. See in this Appendix F, “*Risk Factors — Competition*”.

Market Trends

SpinCo’s financial success will depend upon the extent to which it can discover mineralization and the economic viability of the development of its properties. Such development may take years to complete, and the resulting income, if any, is difficult to determine with any certainty. The sales value of any mineralization discovered by SpinCo will be largely dependent upon factors beyond SpinCo’s control, such as the market value of the commodities produced.

There are significant uncertainties regarding the price of minerals and the availability of equity financing for mineral exploration and development. SpinCo’s future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets are likely to be volatile in Canada well into 2021, reflecting ongoing concerns about the stability of the global economy.

As a result, SpinCo may have difficulties raising equity financing for mineral exploration and development, particularly without excessively diluting SpinCo Shareholders. Continued market volatility and slower worldwide economic growth may limit SpinCo’s ability to develop and/or further explore the Beaufor Mine, the other SpinCo Properties and/or other property interests acquired in the future.

Apart from these and the risk factors noted under the heading “*Risk Factors*”, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on SpinCo’s business, financial condition or results of operations.

PRINCIPAL PROPERTIES

If the Arrangement is completed, SpinCo will, directly or indirectly, acquire Monarch’s interests in the SpinCo Properties. Of these properties, the Beaufor Mine is considered to be material for the purposes of NI 43-101.

The SpinCo Properties are discussed in more detail below.

The Beaufor Mine, Val-d’Or, Québec, Canada

Unless otherwise indicated, the following description of the Beaufor Mine has been summarized from the NI 43-101 compliant technical report entitled “*NI 43-101 Technical Report of the mineral resource and mineral reserve estimates of the Beaufor Mine*” (the “**Beaufor Technical Report**”), prepared for Monarch by Carl Pelletier, P. Geo., Laurent Roy, Eng., Catherine Jalbert, P. Geo. and Guillaume Noël, Eng., each of them from InnovExplo (Val-d’Or, Québec), Geneviève Auger, Eng. from InnovExplo (Longueuil, Québec) and Gail Amyot, Eng. from InnovExplo (Québec, Québec) with an effective date on September 30, 2017 and issued on December 28, 2017. Each of the authors of the Beaufor Technical Report was a “qualified person” and “independent” of Monarch within the meaning of NI 43-101 at the effective date of the Beaufor Technical Report and is qualified in its entirety with reference to the full text of the Beaufor Technical Report. The below summary is subject to all the assumptions, conditions and qualifications set forth in the Beaufor Technical Report. The Beaufor Technical Report was prepared in accordance with NI 43-101 and for additional technical details, reference should be made to the complete text of the Beaufor Technical Report which was filed with the applicable regulatory authorities and posted on SEDAR at www.sedar.com on December 28, 2017 under Monarch’s profile. Defined terms and abbreviations used in this section and not otherwise defined in this Circular have the meanings attributed to them in the Beaufor Technical Report.

Following completion of the Arrangement, the Beaufor Technical Report will be filed electronically with regulators by SpinCo and will be available for public viewing under SpinCo’s profile on SEDAR at www.sedar.com.

The historical estimates provided within this section were obtained from the Beaufor Technical Report. Readers are cautioned that SpinCo has not completed the work required to independently analyze and verify the results of previous operators nor has a “qualified person” (as defined in NI 43-101) done sufficient work to classify the historical estimates as current mineral resources or mineral reserves. SpinCo believes that these historical estimates may provide an indication of the potential of the property and are reported because they are deemed relevant to the description of the property. However, SpinCo is not treating the historical estimate as current mineral resources or mineral reserves. Further drilling would be

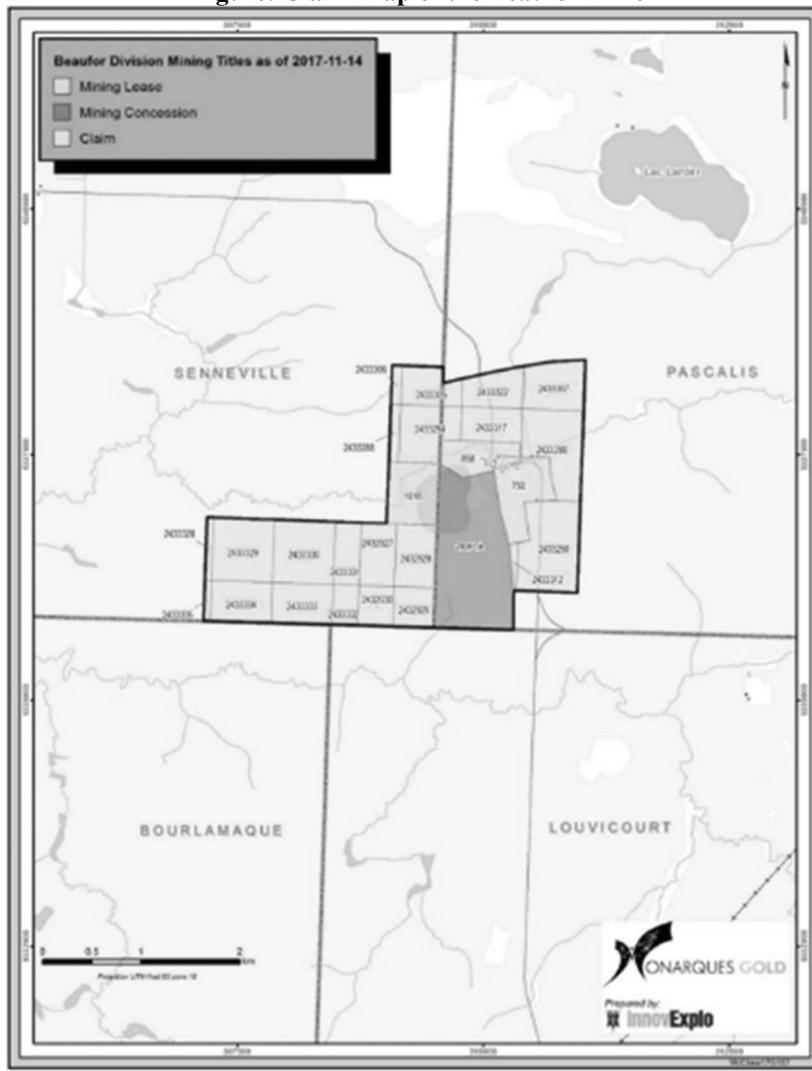
required to upgrade or verify the historical resources as current mineral resources or reserves. There have not been any mineral resources or mineral reserves calculated on these properties recently.

Property Description, Location and Access

The Beaufor Mine is located approximately 20 km northeast of the city of Val-d’Or in the Vallée-de-l’Or regional county municipality, which is part of the Abitibi-Témiscamingue administrative region of northwestern Québec, Canada. The coordinates for Perron shaft No. 5, the approximate centre of the Beaufor Mine, are 48°9’42.13”N, 77°33’16.63”W (NAD 83), (UTM coordinates: 310040 E and 5337429 N, Zone 18). The Beaufor Mine is situated on NTS map sheet 32C/04, in the townships of Senneville, Pascalis and Louvicourt. It lies at the northern part of a group of seven adjacent properties known as the “Beaufor Division Properties”.

The main access to the Beaufor Mine is by heading east on provincial highway 117 from Val-d’Or to Chemin Pascalis (20 km), and then driving north on a gravel road to the village of Perron (8 km), which borders the mine area. The mine can also be reached by driving north on highway 397 from Val-d’Or to Val-Senneville (18 km), and then heading south on Chemin Paré to Perron (10 km). Beaufor Division Properties comprises 22 mining claims, three mining leases and one mining concession, for an aggregate area of 686.8 ha. All mining titles are in good standing according to the GESTIM database.

Figure: Claim Map of the Beaufor Mine



Geology

The Beaufor Mine is located in the southeastern Abitibi Subprovince of Archean age in the southern Superior Province of the Canadian Shield. The Abitibi Greenstone Belt has been historically subdivided into northern and southern volcanic zones defined by stratigraphic and structural criteria (Dimroth et al., 1982; Ludden et al., 1986; Chown et al., 1992), mainly based on an allochthonous greenstone belt development model (i.e., interpreting the belt as a collage of unrelated fragments).

The Beaufor Mine is located in the Val-d'Or mining camp. The Val-d'Or mining camp is situated in the eastern segment of the southern part of the Abitibi Subprovince at its boundary with the Pontiac Subprovince, which is marked by the Cadillac Tectonic Zone. The region can be divided into four stratigraphic groups based on regional tectonics and volcano-sedimentary stratigraphy (Pilote et al., 1999): the upper Louvicourt Group (subdivided into the Héva and Val-d'Or formations), the basal Malartic Group (subdivided into the Jacola, Dubuisson and La Motte–Vassan formations), the Pontiac Group and the Piché Group. The Malartic Group comprises ocean floor komatiite and tholeiitic basalt flows and sills, with minor sedimentary rocks, which are interpreted to have formed in an extensional environment related to mantle plumes. The Louvicourt Group is composed mainly of mafic to felsic volcanic rocks that formed in a subduction-related deep marine volcanic arc. The Pontiac Group is dominated by detrital sediments. The Piché Group is dominated by ultramafic flows.

The volcanic and structural architecture is intruded by two vast plutons, the Bourlamaque and La Corne batholiths, as well as several other smaller satellite bodies.

The Beaufor Mine is located within the Bourlamaque Pluton at the eastern contact with the Dubuisson Formation. The Bourlamaque Batholith is a major geological feature of the Val-d'Or mining camp. It is described as a quartziferous granodiorite cut by fine-grained dioritic dykes. The Bourlamaque Batholith is a massive, round syn-volcanic intrusion, 12 km across. The pluton cuts the mafic and ultramafic rocks of the Dubuisson and Jacola formations (Malartic Group), as well as the intermediate rocks of the Val-d'Or Formation (Louvicourt Group). The pluton hosts several past-producing mines, among them Belmoral, Wrightbar, Bussières (a.k.a. Old Cournor), Bras d'Or and Lac Herbin.

Mineralization

Gold mineralization occurs in veins associated with shear zones dipping moderately south. Mineralization is associated with quartz-tourmaline veins resulting from the filling of shear and extension fractures. Gold-bearing veins show a close association with mafic dykes intruding the granodiorite. The dykes seem to have influenced the structural control of the gold-bearing veins. Sulphide content within the veins is generally less than 10%, and the principal mineral is pyrite with some minor chalcopyrite and pyrrhotite. Gold is associated with pyrite in native form, filling the void inside the pyrite crystals.

Veins strike at 115° azimuth and dips moderately to the south from 30° to 65°. The thickness of the veins varies from 5 cm to 5 m, but generally, the thickness of the quartz veining system is 30 cm to 120 cm. All the gold-bearing veins are contained in a strongly-altered granodiorite in the form of chlorite-silica forming anastomosing corridors of 5 m to 30 m in thickness. The veins at the Beaufor Mine sometimes form panels of more than 300 m long by 350 m high. The major zones like the C and Q zones could be traced along strike over 700 m and along dip over 400 m.

The multiple vein systems of the Beaufor Mine deposit are cut and split apart by numerous steeply dipping discrete shear zones, striking 70° azimuth. The Beaufor Fault marks the limits of several major mineralized zones. The Beaufor Fault strikes roughly at 295° azimuth, with a steep dip of 60° to the north. The Beaufor Fault may have been one of the main conduits for mineralizing hydrothermal fluids at the Beaufor Mine. Several post-mineralization faults intersect and displace the quartz veins. Mafic dykes that predate mineralization are associated with shear-hosted gold-bearing veins. Shallowly dipping extensional gold-bearing veins are commonly observed at the Beaufor Mine. The main gold-bearing quartz veins are intimately associated with dioritic dykes.

Mineral Resource and Mineral Reserve estimates

Mineral Resource Estimate

The Mineral Resource Estimate presented herein, the 2017 MRE, was prepared by Beaufor Mine geologists and reviewed by Carl Pelletier, P. Geo. (OGQ 384). The main objective was to review and update the previous mineral resource estimate using 2017 drilling data and mining depletion as of September 30, 2017. The mineral resources in the 2017 MRE are not mineral reserves as they do not have demonstrated economic viability. The estimate includes Measured, Indicated and Inferred resources for an underground volume.

The Beaufor Division diamond drill hole databases used for the 2017 MRE contain 10,308 DDH including 184,520 assays as of September 30, 2017.

The Beaufor Mine Mineral Resource Estimate, exclusive of Mineral Reserves, as at September 30, 2017, is presented in the following table and is compared to the 2016 estimate. The current Measured and Indicated resources total 346,200 t at an average grade of 7.68 g/t Au for 85,400 oz while Inferred resources are estimated at 46,100 t at an average grade of 8.34 g/t Au for 12,400 oz.

Mineral Resource Estimate for the Beaufor Mine as at September 30, 2017

September 2017				2016			
Category	Tonnes	Grade (g/t Au)	Gold ounces	Category	Tonnes	Grade (g/t Au)	Gold ounces
Measured	74,400	6.71	16,100	Measured	53,000	6.27	10,700
Indicated	271,700	7.93	69,300	Indicated	300,000	7.57	73,000
Total M+I	346,200	7.67	85,400	Total M+I	353,000	7.37	83,700
Inferred	46,100	8.34	12,400	Inferred	36,000	6.44	7,500

Notes:

- The independent and qualified person (“QP”) for the Mineral Resource Estimate as required by NI 43-101 is Carl Pelletier, P.Geo. (OGQ 384), employee of InnovExplo. The effective date of the estimate is September 30, 2017.
- Mineral resources which are not mineral reserves do not have demonstrated economic viability.
- Mineral reserve has been subtracted from mineral resources.
- Results are presented in-situ and undiluted. The reported mineral resource is considered by the QP to have reasonable prospects for underground economic extraction.
- The estimate includes 63 mineralized zones in the Beaufor Mine.
- Mineral Resources are estimated at variable cut-off grades ranging from 3.95 g/t Au (long-hole) to 4.66 g/t Au (room-and-pillar). Cut-off grades must be re-evaluated in light of prevailing market conditions (gold price, exchange rate and mining cost).
- A specific gravity value of 2.75 t/m³ was used.
- A minimum true vein width of 2.40 m was used.
- Capping of high-grade values was done at 68.5 g/t Au for zones 8, B, M, M1 and Q, while all other zones were capped at 34.25 g/t Au and drill hole intersections were capped at 16.5 g/t over 2.40 m. Capping was done on raw assays.
- The estimation method was polygonal on cross section.
- Polygons for measured resources extend 8 m above and below development and up to 10 m laterally. Polygons for indicated resources do not extend more than 20 m from drill hole intercepts, along dip and along strike. Polygons for inferred resources do not extend more than 40 m from drill hole intercepts, along dip and along strike; they are generated where the drill spacing generally ranges from 20 m to 40 m and/or in areas of isolated drill holes where mineralization is interpreted to be the extension of known mineralized zones.
- Ounce (troy) = metric tons x grade / 31.1035. Calculations used metric units (metres, tonnes, g/t)
- Mineral Resources are estimated using a long-term gold price of CAD 1,638.40 per ounce (metal price of USD 1,280 per ounce and an exchange rate of 1.28 CAD/1 USD).
- Tonnage and ounce estimates were rounded to the nearest hundred. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in Form 43-101F.
- CIM definitions and guidelines were followed in estimating mineral resources.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing or other relevant issue that could materially affect the mineral resource estimate.

Mineral Reserve Estimate

The mineral reserve estimate for the Beaufor Mine was prepared by Laurent Roy, Eng. (OIQ No. 109779), of InnovExplo, and is effective as of September 30, 2017. The statement of mineral reserves herein (table below), is consistent with CIM Definition Standards on Mineral Resources and Mineral Reserves and is suitable for public reporting. The mineral reserves are based on the Measured and Indicated resources of the 2017 MRE, and do not include any Inferred resources. Measured and Indicated resources are exclusive of Proven and Probable reserves.

The 2017 MRE provided the basis for developing the feasibility-level LOM plan and mineral reserve estimate. As of the date of this report, the QP had not identified any legal, political or environmental risks that would materially affect the potential development of the 2017 Mineral Reserves.

Statement of Mineral Reserves

Category	Tonnes (t)	Grade (g/t Au)	Gold ounces
Proven	28 100	5.95	5 400
Probable	111 500	7.05	25 200
Total Proven + Probable	139 500	6.83	30 600

Notes:

- The independent and qualified person for the mineral reserve estimate, as defined by NI 43-101 is Laurent Roy, Eng. (OIQ No. 109779), of InnovExplo. The effective date of the estimate is September 30, 2017.
- The economic viability of the mineral reserve is proven.
- Results are presented including dilution. Dilution varies from 10% to 15% for the long-hole stopes based on the position of the dyke, and is 0% for the room-and-pillar stopes as the stope width is less than 2.40m.
- Results are presented including mining recovery rates. Mining recovery varies from 85% to 90% for long-hole stopes based on the position of the dyke and is 90% for room-and-pillar stopes.
- The metallurgical gold recovery at the Mill is 98%.
- The mineral reserve was compiled using cut-off grades of 3.95 g/t Au (long-hole) to 4.66 g/t Au (room-and-pillar). Cut-off grades must be re-evaluated in light of prevailing market conditions (gold price, exchange rate and mining cost).
- A constant specific gravity value of 2.75 t/m³ was used.
- A minimum true thickness of 2.40 m was applied.
- Ounce (troy) = metric tons x grade / 31.1035. Calculations used metric units (metres, tonnes, and g/t).
- The mineral reserve was estimated using a long-term gold price of CAD 1,638.40 per ounce (metal price of USD 1,280 per ounce and a USD: CAD exchange rate of 1.28).
- Tonnage and ounces estimates were rounded to the nearest hundred. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in Form 43-101F1.
- The mineral reserve estimate is compliant with CIM standards and guidelines.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing, or other relevant issue that could materially affect the mineral reserve estimate.

Exploration strategy

The exploration strategy at the Beaufor Mine will aim to grow the high-grade gold resource over a longer-term horizon. The many factors leading SpinCo to continue exploring the Beaufor Mine, which has produced more than 1.1 million ounces during its years in production, include the multiple high-grade results obtained since the end of 2017 and the fact that the mine still has excellent exploration potential along strike and at depth.

The Croinor Property, Val-d'Or, Québec, Canada

The Croinor Property consists of one contiguous block of 334 claims staked by electronic map designation (“map-designated cells”), three claims acquired in May 2020 and one mining lease covering an aggregate area of 15,187.85 ha. The claims and mining lease are registered 100% in the name of X-Ore Resources Inc. (“X-Ore”). On the Effective Date, SpinCo will own 100% of X-Ore’s shares. All mining titles are in good standing according to the GESTIM database.

The McKenzie Property, Val-d’Or, Québec, Canada

On December 21, 2017, Monarch entered into an agreement with Agnico Eagle Mines Limited’s (“**Agnico**”) to acquire the McKenzie Property (nine mineral claims covering a total area of 336.3 hectares) which hosts gold deposits near the Beacon Mill. Monarch acquired the McKenzie Property and the Swanson Property by paying Agnico a total of \$4.6 million, including \$1.6 million payable in cash and \$3 million payable in Monarch Shares over a four-year period following the signature of the agreement. Also, Monarch granted to Agnico a 1.5% net smelter returns royalty on the McKenzie Property. Concurrent with this transaction, Monarch bought back a 1.5% net smelter returns royalty.

royalty on the McKenzie Property in exchange for US\$50,000 in cash and 600,000 Monarch Shares.

As of February 25, 2020, Monarch acquired 91 mineral claims surrounding the McKenzie Property from a group of private companies (the “**Vendors**”) and prospectors. As consideration, Monarch issued a total of 3.3 million Monarch Shares to the Vendors, of which 1.3 million Monarch Shares were delivered at closing, 1.0 million Monarch Shares to be delivered in eighteen (18) months and 1.0 million Monarch Shares to be delivered in thirty-six (36) months after the closing. Monarch had also undertaken to pay a 2% net smelter return royalty to the Vendors in the event of commercial production from the acquired mineral claims. In July 2020, Monarch bought back said 2% net smelter return royalty from the Vendors. In

addition, Monarch acquired 33 mineral claims by staking. In terms of net smelter returns royalties on the McKenzie Property, there remains only the 1.5% net smelter returns royalty on the nine mining claims acquired from Agnico.

In all, the current McKenzie Property consists of 133 mineral claims covering a total area of 5,130.44 ha (51.3 km²). The newly defined property boundaries cover an area approximately 14 times the size of the original property and encompass virtually all of the favorable intrusion containing the gold mineralization.

The Swanson Property, Val-d'Or, Québec, Canada

On December 21, 2017, Monarch entered into an agreement with Agnico to acquire the Swanson Property which hosts gold deposits near the Beacon Mill. Monarch acquired the McKenzie Property and the Swanson Property by paying Agnico a total of \$4.6 million, including \$1.6 million payable in cash and \$3 million payable in Monarch Shares over a four-year period following the signature of the agreement. Also, Monarch granted to Agnico a 1.5% net smelter returns royalty on the Swanson Property. Concurrent with this transaction, Monarch bought back a 1.5% net smelter return royalty on the Swanson Property in exchange for US\$50,000 in cash and 600,000 Monarch Shares.

The property currently consists of one mining lease and 127 mineral claims covering a total area of 5,126 hectares and encompass virtually all of the favorable intrusion containing the gold mineralization.

The Orbite Property, Chapais, Nord-du-Québec, Canada

The Orbite Property was purchased on September 21, 2020 from the bankruptcy of Orbite Technologies Inc. It consists of three blocks of claims with a total of 11 mining claims covering a total area of 471.14 ha (4.71 km²) and is 100% owned by Monarch. The property is located in the northeastern portion of the Abitibi Greenstone belt of the Superior province within NTS sheet 32G11. It is situated approximately 40 km southwest of the town of Chapais in the Chibougamau mining district and is easily accessible year-round from Chapais via Route 113 and secondary gravel roads.

The property is underlain primarily by the Obatogamau Formation, consisting of mafic volcanic rocks interstratified with local felsic units and the sediments of the Caopatina Formation. The northern limit of the property borders the Rachel Pluton, composed mainly of tonalite material. These units are cut by various intrusives, most notably kilometric-scale felsic stocks, as well as felsic to mafic dykes and sills. Regional mapping indicates these rocks occur near the axis of or transected by the Druillettes syncline and within the Guercheville Deformation Corridor. The Chapais-Chibougamau mining camp of the Abitibi is known to host orogenic gold and "VMS-style" base metal mineralization and has been aggressively explored in recent years. The Orbite Property is located along the Guercheville Deformation Corridor, approximately half way between the Lac Shortt Mine (historical production of 2.7Mt at a grade of 4.6 g/t Au (Source: QERPUB-M.E.R. Publication DV 2010-01 Rapports sur les activités minières du Québec - 2009)) and the Joe Mann Mine (historical production of 4.3Mt at a grade of 7.56 g/t Au (Source: QERPUB-M.E.R. Publication DV 2001-01 Rapports sur les activités d'exploration minière au Québec – 2000)). Other notable mines in the area include the Lac Bachelor mine and the Coniagas mine.

Other Aspects of the Business

Beacon Mill

The Beacon Mill has a 750 tonnes per day capacity and is located on a property that consists of a mining lease and 11 mineral claims covering an area of 1.8km². The property also has tailings management ponds, underground installations, a 500-metre deep shaft and a mechanical shop. The Beacon Mill is located in Val-d'Or, Québec on highway 117 and at proximity to the railroad at less than 500 m.

The Beacon Mill is fully permitted, including a certificate of authorization by the MDELCC for the processing of 1,800,000 tonnes of tailings, equivalent to approximately nine years of mineral processing at full capacity. In connection with the anticipated re-start of the Beacon Mill, Monarch has started the process to update the permits of the mill's tailing ponds. Currently, SpinCo intends to continue the evaluation work associated with the possibility of restarting the Beacon Mill.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Available Funds

Pursuant to the terms of the Arrangement Agreement and assuming completion of the Arrangement and the transfer of the SpinCo Assets, on the Effective Date it is anticipated that SpinCo will have available cash of \$14 million. It is expected that these available funds will be used to carry out the business objectives of SpinCo set out under the heading "*Description*

of the Business — Business Objectives and Operations”. See also in Schedules III to this Appendix F, “SpinCo’s Management’s Discussion and Analysis”, and see in the Circular, “The Arrangement — Principal Steps of the Arrangement”.

Principal Purposes

The following table summarizes cash flow anticipated by SpinCo based on current plans required to achieve its business objectives during the 18-month period following completion of the Arrangement. In addition to the amounts set out below, SpinCo may make additional acquisitions of mineral properties or interests as more fully described above, under the heading “Description of the Business — Business Objectives and Operations” of this Appendix F.

<u>Principal purpose</u>	<u>Amount</u>
Cash transferred to SpinCo at closing	\$14M
Exploration and development cash outflow	(\$9M)
Mining revenues cash inflow	\$21M ⁽¹⁾
Mining operations cash outflow	(\$15M) ⁽¹⁾
General and administrative cash outflow	(\$4M) ⁽²⁾
Total:	\$7M

Notes:

- (1) These amounts represent revenues, operating expenses and development expenses for the restart of the Beaufor Mine. These amounts are estimates based on information available at the time they are made, on assumptions and expectations by management, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks factors mentioned herein. See in this Appendix F, “Risk Factors”. These use of funds include, but are not limited to, SpinCo’s plans to restart operations at the Beaufor Mine. The restart of the Beaufor Mine is dependent on drilling results, mining plans, gold prices and other aspects. The actual use of funds by SpinCo could differ materially from those expressed or implied in this table.
- (2) Estimated general and administrative expenses, professional fees and other corporate costs for the 18 months following the completion of the Arrangement.

Based on the initial working capital available and the expenditures assumed (as listed above), SpinCo expects to have funding for at least 18 months following the completion of the Arrangement. See in this Appendix F, “Risk Factors — Additional Capital”. **While SpinCo currently intends to spend the funds available to it as stated in the table above, there may be circumstances where, for sound business reasons, SpinCo may reallocate the use of funds in order for SpinCo to meet its business objectives.** The above-noted allocation represents SpinCo’s intention with respect to its use of available funds based on current knowledge and planning. **If, due to unexpected additional capital requirements, SpinCo does not have sufficient funds to satisfy its capital obligations, it may be required to seek additional sources of capital. See in this Appendix F, “Risk Factors — Additional Capital” and “Risk Factors — Lack of Funding to Satisfy Contractual Obligations”.**

Following the completion of the Arrangement, under the Arrangement Agreement, SpinCo has agreed to indemnify Yamana, Monarch and their subsidiaries, affiliates, directors, officers, partners, employees, advisors, shareholders and agents (each an “**Indemnified Party**”) from all losses suffered or incurred by an Indemnified Party as a result of or arising directly or indirectly out of or in connection with certain liabilities and taxes related to the distribution of SpinCo Shares to Monarch Shareholders pursuant to the Arrangement and the SpinCo Properties and the SpinCo Assets. See in this Appendix F, “Risk Factors — Indemnified Liability Risk”.

Business Objectives

Following completion of the Arrangement, SpinCo will have the following objectives: evaluating the economic potential of re-starting the Beaufor Mine operations within the next 12 to 18 months, pursuing the growth of the SpinCo Properties, as well as acquiring and exploring other properties, located mainly throughout Québec, Canada, that it considers to have potential for precious and base metals discoveries. SpinCo’s strategy will be to create shareholder value through the acquisition, exploration, advancement and development of mineral properties.

SELECTED FINANCIAL INFORMATION

Financial Statements

Included as Schedule II to this Appendix F are *SpinCo's Combined Carve Out Financial Statements* which comprise (i) the combined carve-out financial statements for the audited financial years ended June 30, 2018, 2019 and 2020, and (ii) the audited opening balance sheet as at July 1, 2017 and (iii) the unaudited interim financial statements for the three month periods ended September 30, 2020 and 2019, comprised of combined carve-out statements of financial position, combined carve-out of net earnings (loss) and comprehensive income, combined carve-out statement of change in owner's invested equity and combined carve-out statements of cash flow, and notes to such statements.

Included as Schedule III to this Appendix F are *SpinCo's Unaudited Pro Forma Consolidated Financial Statements*, after giving effect to the Arrangement and the acquisition by SpinCo of the SpinCo Assets as at September 30, 2020, and for the 12 month period ended June 30, 2020 and the three month period ended September 30, 2020, which comprise a pro forma consolidated statement of financial position, pro forma consolidated statements of earnings (loss) and comprehensive income (loss) and notes to such statements.

Selected Unaudited Pro Forma Financial Information

The following tables set out selected unaudited pro forma consolidated financial information for SpinCo as at September 30, 2020, assuming the completion of the Arrangement on September 30, 2020 for the pro forma consolidated statement of financial position, and for the 12 month period ended June 30, 2020 and the three month period ended September 30, 2020, assuming completion of the Arrangement on July 1, 2019 for the pro forma consolidated statements of earnings (loss), all of which is qualified by the more detailed information contained in the *SpinCo's Unaudited Pro Forma Consolidated Financial Statements* included as Schedule III to this Appendix F.

SpinCo

Selected Pro Forma Consolidated Financial Statement Information

Pro Forma Consolidated Statement of Financial Position
as at September 30, 2020

(unaudited – CAD\$)

Assets

Current Assets

Cash	\$14,000,000
Receivables and other	2,122,006
Balance of sale	2,000,000
Inventory.....	1,192,204
Prepaid expenses and deposits.....	323,435
Total Current Assets	19,637,645

Non-Current Assets

In trust deposits	1,281,929
Property, plant and equipment.....	13,282,108
Mining properties	8,903,262
Exploration and evaluation assets	14,319,089
Total Non-current Assets	37,786,388

Total Assets	\$57,424,033
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Liabilities and Shareholders' Equity

Total current liabilities.....	\$2,697,893
Total non-current liabilities	10,670,523
Total shareholders' equity	44,055,617

Total Liabilities and Shareholders' Equity	\$57,424,033
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SpinCo

**Selected Pro forma Consolidated Financial Statement Information
Pro forma Consolidated Statement of Net Loss for the three months ended
September 30, 2020**

(unaudited – CAD\$)

Expenses

Administration	\$466,477
Care and maintenance	324,933
Exploration	1,091,599
Finance income	68,050
Finance expense	(137,099)
Gain on foreign exchange	176,027
Gain on disposal	11,890
Current income and mining tax recovery	(467,497)
Net loss and comprehensive loss	(\$1,296,644)
Net loss per share – basic and diluted	(\$0.02)
Weighted average number of common shares outstanding	66,335,483

SpinCo

**Selected Pro forma Consolidated Financial Statement Information
Pro Forma Consolidated Statement of Net Earnings for the year ended
June 30, 2020**

(unaudited – CAD\$)

Revenues	\$6,655,313
Cost of sales	3,675,682
Gross margin	2,979,631
Administration	1,820,841
Care and maintenance	2,332,816
Exploration	99,042
Finance income	6,451
Finance expense	(338,663)
Gain on foreign exchange	(137,023)
Gain on disposal	3,647,356
Current income and mining tax expense	573,792
Net earnings and comprehensive income	\$1,331,261
Net earnings per share – basic and diluted	\$0.02
Basic weighted average number of common shares outstanding	66,335,483
Diluted weighted average number of common shares outstanding	68,078,813

MANAGEMENT'S DISCUSSION AND ANALYSIS

Included as Schedule III to this Appendix F is *SpinCo's Management Discussion and Analysis* for the three-month period ended September 30, 2020 and years ended June 30, 2018, 2019 and 2020. It includes financial information from, and should be read in conjunction with, the *SpinCo's Combined Carve-Out Financial Statements* and the notes thereto, which are attached as Schedule I to this Appendix F, as well as the disclosure contained throughout this Appendix F and the Circular.

DESCRIPTION OF SPINCO SECURITIES

SpinCo Shares

The authorized capital of SpinCo consists of an unlimited number of SpinCo Shares. The holders of the SpinCo Shares are entitled to dividends, if, as and when declared by the SpinCo Board, to one vote per share at meetings of the shareholders of SpinCo and, upon liquidation, to receive such assets of SpinCo as are distributable to the holders of SpinCo Shares. The SpinCo Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

Replacement SpinCo Warrants

Each Replacement SpinCo Warrant will entitle its holder to purchase from SpinCo 0.20 of a SpinCo Share and each Replacement SpinCo Warrant will provide for an exercise price per SpinCo Share determined by the following formula (rounded up to the nearest whole cent):

$$\text{(original exercise price per Monarch Share} \times \text{(Fair Market Value of a SpinCo Share} \times 0.20)) / \text{(Fair Market Value of a Monarch Class A Share} + \text{(Fair Market Value of a SpinCo Share} \times 0.20))$$

For more information on the Replacement SpinCo Warrants, see also in the Circular "*The Arrangement – Treatment of Monarch Warrants – Monarch Certificated Warrants*".

Monarch Indenture Warrants

In accordance with the terms of the Monarch Warrant Indenture, each holder of Monarch Indenture Warrants will be entitled to receive (and such holder shall accept) upon the exercise of such holder's Monarch Indenture Warrants, in lieu of Monarch Shares to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the number of Yamana Shares, the value of the Cash Consideration and the number of SpinCo Consideration Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Date, such holder had been the registered holder of the number of Monarch Shares to which such holder would have been entitled if such holder had exercised its Monarch Indenture Warrants immediately prior to the Effective Time. Upon any valid exercise of a Monarch Indenture Warrant after the Effective Time, Yamana will issue the requisite number of Yamana Shares and SpinCo shall issue the requisite number of SpinCo Consideration Shares, necessary to settle such exercise, provided that Yamana or SpinCo, as applicable, has received the portion of the Monarch Indenture Warrant exercise price such that the Monarch Indenture Warrant exercise price is divided between Yamana and SpinCo as follows:

- (a) Yamana will receive a portion of the exercise price equal to the original exercise price of the Monarch Indenture Warrant less the Cash Consideration amount that would have been payable in exchange for that number of Yamana Shares that were previously issuable upon exercise and less the exercise price payable to SpinCo as determined in accordance with (b) below; and
- (b) SpinCo shall receive a portion of the exercise price determined in accordance with the following formula:

$$\text{(original exercise price} \times \text{(Fair Market Value of a SpinCo Share} \times 0.20)) / \text{(Fair Market Value of a Monarch Share} + \text{(Fair Market Value of a SpinCo Share} \times 0.20))$$

For more information on the Replacement SpinCo Warrants, see also in the Circular "*The Arrangement – Treatment of Monarch Warrants – Monarch Indenture Warrants*".

MARKET FOR SECURITIES

Listing of SpinCo Shares

SpinCo has applied to have the SpinCo Shares listed on TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved SpinCo's listing application and there can be no assurances as to if, or when, the SpinCo Shares will be listed or traded on the TSX, or on any other stock exchange. It is a condition to the completion of the Arrangement, that the SpinCo Shares will have been conditionally approved for listing on the TSX, or such other recognized stock exchange on or before the Effective Date.

As at the date of the Circular, there is no market through which the SpinCo Shares to be distributed pursuant to the Arrangement may be sold, and Monarch Shareholders may not be able to resell the SpinCo Shares distributed to them pursuant to the Arrangement. This may affect the pricing of the SpinCo Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the SpinCo Shares, and the extent of the regulations to which SpinCo is subject. See in this Appendix F, “Risk Factors —No Assurance of Listing of SpinCo Shares”.

As at the date of the Circular, SpinCo does not have any of its securities listed or quoted, has not applied to list or to quote any of its securities, and does not intend to apply to list or quote any of its securities on a U.S. marketplace, or a marketplace outside Canada and the United States of America. Prior to the Effective Time, SpinCo intends to apply to have the SpinCo Shares trade on the OTC Market Group Inc. following completion of the Arrangement.

DIVIDEND POLICY

SpinCo has not paid dividends since its incorporation. While there are no restrictions precluding SpinCo from paying dividends, it has no source of cash flow and anticipates using all available cash resources towards its stated business objectives. At present, SpinCo's policy is to retain earnings, if any, to finance its business operations. The SpinCo Board will determine if and when dividends should be declared and paid in the future based on SpinCo's financial position at the relevant time.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets out the share capital of SpinCo before and after giving effect to the Arrangement, as if it had occurred on September 30, 2020. The following table should be read in conjunction with *SpinCo's Unaudited Pro Forma Consolidated Financial Statements* attached as Schedule II to this Appendix F, as well as with the other disclosure contained in this Appendix F and in the Circular. See also in this Appendix F, “Description of Share Capital of SpinCo” and “Prior Sales”.

Capital	Authorized	Amount outstanding as of the date of the Circular ⁽¹⁾	Amount outstanding assuming completion of the Arrangement ⁽²⁾
SpinCo Shares	Unlimited	\$1.00 1 Initial SpinCo Share	\$44,055,617 66,335,483 SpinCo Shares ⁽³⁾
Replacement SpinCo Warrants	Not Applicable	Nil	\$nil 17,524,730 Replacement SpinCo Warrants ⁽³⁾
Monarch Indenture Warrants	Not Applicable	Nil	\$nil 10,217,000 Monarch Indenture Warrants ⁽⁴⁾

Notes:

- (1) See in this Appendix F, “Prior Sales”.
- (2) These figures are derived from *SpinCo's Unaudited Pro Forma Consolidated Financial Statements* attached to this Appendix F as Schedule II, which are presented on the basis that the Arrangement was completed as at September 30, 2020. See also in the Circular, “The Arrangement — Principal Steps of the Arrangement” and “The Arrangement — Procedure for Exchange of SpinCo Shares”.
- (3) Based on there being 17,524,730 Monarch Certificated Warrants outstanding to acquire 17,524,730 Monarch Shares, and assuming that no such Monarch Certificated Warrants will be exercised prior to the Effective Time, 17,524,730 Replacement SpinCo Warrants (ignoring rounding) to acquire 3,504,946 SpinCo Shares are expected to be issued as part of the Arrangement. See also in the Circular, “The Arrangement – Treatment of Monarch Warrants – Monarch Certificated Warrants”.
- (4) Based on there being 10,217,000 Monarch Indenture Warrants outstanding to acquire 10,217,000 Monarch Shares, and assuming that no such Monarch Indenture Warrants will be exercised prior to the Effective Time, such 10,217,000 Monarch Indenture Warrants will, after the Effective Time, entitle the holders thereof upon exercise to (i) the number of Yamana Shares; (ii) the value of the Cash Consideration; (iii) and the number of SpinCo Consideration Shares which the holders would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Date, such holder had been the registered holder of the number of

Monarch Shares to which such holder would have been entitled if such holder had exercised its Monarch Indenture Warrants immediately prior to the Effective Time. Based on the foregoing assumptions, the 10,217,000 Monarch Indenture Warrants will, after the Effective Time and upon exercise, entitle the holders thereof to acquire, in addition to the Cash Consideration and the 384,160 Yamana Shares, an aggregate of 2,043,400 SpinCo Shares. See also in the Circular “*The Arrangement – Treatment of Monarch Warrants – Monarch Certificated Warrants*”.

PRIOR SALES

The following table contains the details of the prior sales of securities by SpinCo from incorporation to the date of the Circular:

Date	Initial SpinCo Shares	Issue price
November 11, 2020 ⁽¹⁾	1	\$1.00

Note:

- (1) SpinCo was incorporated on November 11, 2020. The Initial SpinCo Share was issued to Monarch at a price of \$1.00 to facilitate the initial organization of SpinCo. See also “*Consolidated Capitalization*”.

PRINCIPAL SHAREHOLDERS OF SPINCO

As of the date of the Circular, Monarch holds the Initial SpinCo Share representing 100% of the issued and outstanding SpinCo Shares. Upon completion of the Arrangement and pursuant to its terms, it is expected that 100% of the SpinCo Shares will be owned by the Monarch Shareholders (other than Dissenting Monarch Shareholders). Alamos will hold approximately 13.52% of the then issued SpinCo Shares (subject to adjustments as a result of the exercise of Dissent Rights and the elimination of fractional SpinCo Shares pursuant to the Plan of Arrangement). For further details with respect to the distribution of the SpinCo Shares on completion of the Arrangement, see in the Circular, “*The Arrangement*”, and in particular: “*Principal Steps of the Arrangement*”, “*Procedure for Exchange of Monarch Shares*”, “*Treatment of Monarch Options*”, “*No Fractional Shares to be Issued*”, “*Cancellation of Rights After Six Years*” and “*Risks Associated with the Arrangement*”.

Assuming completion of the Arrangement, to the knowledge of SpinCo’s directors and officers, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then outstanding SpinCo Shares other than:

Name	Number of SpinCo Shares Assuming Completion of the Arrangement ⁽¹⁾	Percentage of SpinCo Shares Assuming Completion of the Arrangement ⁽¹⁾
Alamos	8,969,641 ⁽²⁾	13.52% ⁽³⁾

Notes:

- (1) Information as to holdings of Monarch Shares and for the purposes of these calculations has been taken from the central securities registers of Monarch or from insider reports or other disclosure documents electronically filed with regulators and publicly available through the Internet at the website for the Canadian System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca or SEDAR at www.sedar.com.
- (2) The number of SpinCo Shares that will be owned by Alamos or one of its affiliates following the completion of the Arrangement is subject to adjustment if any Monarch Shareholders exercise their Dissent Rights and in connection with the elimination of fractional SpinCo Shares pursuant to the Plan of Arrangement.
- (3) Assumes 66,335,483 SpinCo Shares issued and outstanding after the completion of the Arrangement.

ESCROWED SECURITIES

As of the date of the Circular, no SpinCo Shares are held in escrow or are anticipated to be held in escrow following the Effective Date pursuant to the Arrangement Agreement and the Plan of Arrangement.

DIRECTORS AND OFFICERS OF SPINCO

As of the date of the Circular, the proposed directors of SpinCo are Jean-Marc-Lacoste, Michel Bouchard, Guylaine Daigle, Laurie Gaborit and Christian Pichette. At the Effective Time, the proposed directors of SpinCo are intended to be the directors of SpinCo. Each of the directors of SpinCo will hold office until the next annual general meeting of SpinCo Shareholders unless the director’s office is earlier vacated in accordance with the Articles of SpinCo or the director becomes disqualified to serve as a director.

The following table sets forth the name, province or state and country of residence, actual and anticipated position with SpinCo, principal occupation during the previous five years and the pro forma number of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, for the proposed directors and executive officers SpinCo after giving effect to the Arrangement.

Name and Municipality of Residence	Principal Occupation during the last five years ⁽¹⁾	Actual and Proposed Position with SpinCo	Number of SpinCo Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised ⁽²⁾
Jean-Marc Lacoste Québec, Canada	President and chief executive officer of Monarch (from 2012 to present) and president of Lacoste International Inc. (from 2010 to present)	President, CEO and Director	1,262,000
Michel Bouchard ⁽³⁾ Québec, Canada	Director of Monarch (from 2012 to present), director of Cartier Resources Inc. (from 2013 to present), director of Sirios Resources Inc. (from September 2016 to present), and director of First Mining Gold Corp. (from 2016 to 2020)	Chairman of the Board	455,412
Guylaine Daigle ⁽³⁾⁽⁴⁾ Québec, Canada	Director of Monarch (from 2020 to present), and vice president, finance of G4 R&D Inc. (from 2006 to present)	Director	50,000
Laurie Gaborit ⁽⁴⁾ Ontario, Canada	Director of Monarch (from 2019 to present), director of Gold Terra Resource Corp. from (2019 to present) and vice president, investor relations of Dore Copper (2020 to present) and Detour Gold Corporation (from 2017 to 2019)	Director	124,880
Christian Pichette ⁽³⁾⁽⁴⁾ Québec, Canada	Director of Monarch (from 2014 to present), and member of the Investment Committee - Mining Sector of the <i>Fonds de solidarité des travailleurs du Québec (F.T.Q.)</i> . (2015 to present)	Director	345,000

Notes:

- (1) All companies noted are still carrying on business as of the date of the Circular unless otherwise noted.
- (2) Assuming that no Monarch Warrants will be exercised prior to the Effective Time and assuming 66,335,483 SpinCo Shares issued and outstanding after the completion of the Arrangement and the exercise or surrender pursuant to the Plan of Arrangement of: (a) such number of Monarch Options that the individuals in the table above have indicated they currently intend to exercise or surrender; and (b) all of the Monarch In-The-Money Options held by other Monarch Optionholders. The information as to SpinCo Shares to be beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to SpinCo by its proposed directors and officers as of the date hereof.
- (3) Proposed member of the SpinCo Audit Committee (as defined herein).
- (4) Proposed member of the SpinCo Compensation Committee.

Management of SpinCo

The following is a brief description of the background and experience of each proposed member of the SpinCo management team and SpinCo Board. Unless otherwise specified, the organizations named in the descriptions below are still carrying on business.

Jean-Marc Lacoste – Proposed President and Chief Executive Officer (age: 52)

Mr. Jean-Marc Lacoste earned his Bachelor's degree in Economics from McGill University in Montréal. In 1993, Mr. Lacoste started a career in finance at the Montréal Stock Exchange where he worked for National Bank Financial and, subsequently, Merrill Lynch Canada Inc. In 2000 he left Montréal for Toronto to join Northland Power Inc., a wind power energy corporation, as Vice President of Acquisitions. He returned to Montréal in 2002 where he joined the boards of a few public and private corporations. From October 2004 to December 2010, he played a major role in Golden Goose Resources Inc., a corporation principally engaged in mineral exploration and acquisition, where he became President, Chief Executive Officer and Chairman of the board of directors. Since December 2010, he is the President of Lacoste International Inc., a

holding corporation specialized in the management of corporations. Mr. Jean-Marc Lacoste has been the President and Chief Executive Officer of Monarch since 2012.

Michel Bouchard – Proposed Chairman of the Board (age: 66)

Mr. Michel Bouchard, has been involved in the exploration, development and production aspects of the mining sector for over 30 years, bringing a wealth of knowledge and experience. He has been a Director and Senior Officer of several public corporations in the mining sector. Mr. Bouchard was President and Chief Executive Officer of Clifton Star Resources Inc., a corporation specialized in the mining sector, from November 2011 to April 2016, Vice President, Exploration and Development for North American Palladium Ltd., a corporation specialized in the mining sector, from May 2009 to November 2011, and President and Chief Executive Officer of Cadiscor Resources Inc., a mining corporation, from May 2006 to May 2009. Mr. Bouchard is also a Director of Cartier Resources Inc. since May 2013, a Director of Sirius Resources Inc. since September 2016, and was director of First Mining Gold Corp. (previously known as First Mining Finance Corp.) from April 2016 to April 2020, all corporations specialized in the mining sector. Mr. Bouchard is a geologist and earned a Bachelor's and Master's degree in Geology from the Université de Montréal and a Master of Business Administration (MBA) from HEC Montréal. Mr. Bouchard has been the Chairman of the board of directors of Monarch since 2016.

Guylaine Daigle – Proposed Director (age: 52)

Guylaine Daigle has over 25 years of experience in financial management, primarily in the mining industry. Ms. Daigle has been Vice President, Finance and a shareholder of G4 Drilling Ltd. (diamond drilling company), CCL Drilling (1993) Inc. (drilling and blasting company) and G4 R&D Inc. (machine shop specializing in drilling and forestry) since December 2006. Previously, she held financial management positions with Deloitte, Ross-Finlay 2000 Inc. and McWatters Mines Inc. as well as auditor positions with accounting firms. Ms. Daigle is a shareholder and director of the Val-d'Or Foreurs and a director of *Fondation du Centre Hospitalier de Val-d'Or*. She is a chartered accountant and a member of the *Ordre des comptables professionnels agréés du Québec* (Quebec CPA Order) and holds a Bachelor's degree in Accounting Sciences from the *Université du Québec en Abitibi-Témiscamingue*. Ms. Daigle has been a director of Monarch since April 2020.

Laurie Gaborit – Proposed Director (age: 57)

Ms. Laurie Gaborit holds a Bachelor of Science in geology (Hons.) from Concordia University. She has over 20 years of investor relations and corporate communications experience in the mining industry. Ms. Gaborit started her career as a geologist for Aur Resources, Cambior, and Romarco Minerals. From 1999 to 2005 she held the position of Manager, Investor Relations for Rio Narcea Gold Mines and from 2005 to 2006 she held the position of Vice President, Investor Relations and Corporate Secretary for High River Gold Mines. From 2006 to 2007 she provided strategic investor relations and corporate communications services to a number of junior mining companies. In January 2007, Ms. Gaborit joined Detour Gold Corporation a mid-tier Canadian gold mining company where she held the position of Vice President, Investor Relations from January 2017 to June 2019. As a key member of Detour Gold's management team, she participated in the company's initial public offering in 2007 and its transformation from exploration company to intermediate gold producer within a seven-year period, during which time Detour Gold's market capitalization increased from \$120 million to over \$3 billion. Ms. Gaborit is on the board of the non-profit Canadian Investor Relations Institute (CIRI). In 2019, she was the recipient of the CIRI Belle Mulligan Award for Leadership in Investor Relations. Since December 2019, she is a member of the board of directors Gold Terra Resource Corp and since September 2020, she is Vice-President – Investor Relation of Dore Copper Mining Corp. Ms. Gaborit has been a director of Monarch since 2019.

Christian Pichette, Proposed Director (age: 67)

Mr. Christian Pichette earned a Bachelor's degree in Mining Engineering and a master's degree in Rock Mechanics from École Polytechnique de Montréal. He has over 35 years of experience in the mining industry. Mr. Pichette has held managerial positions with many Canadian corporations, including Placer Dome Inc., TVX Gold Inc., Barrick Gold Corporation and Cambior Inc. From September 2005 to May 2012, he held the position of Vice President Operations at Richmond Mines Inc., a mining exploration and production corporation, and from May 2012 to December 2013, he served as Executive Vice President and Chief Operating Officer of this corporation. Since May 2015, Mr. Pichette has also been a member of the Investment Committee - Mining Sector of the *Fonds de solidarité des travailleurs du Québec* (F.T.Q.). Mr. Pichette has been a director of Monarch since 2014.

Alain Lévesque – Proposed Chief Financial Officer (age: 48)

Mr. Alain Lévesque has 20 years of experience in the field of financial reporting and the management of corporations including several in the mining sector. His experience in the mining industry is diverse ranging from exploration corporations to those in production. Mr. Lévesque began his career as an auditor in two majors accounting firms, Raymond Chabot Grant Thornton L.L.P. from 2001 to 2006 and Deloitte LLP from 1997 to 2001. He was Vice President Finances from July 2010 to May 2011 and then Chief Financial Officer from May 2011 to July 2014 of Ranaz Corporation, a corporation specializing in the manufacture and sale of protein and dietary supplements. He was also the Chief Financial Officer of Maya Gold & Silver Inc., a mining corporation listed on the TSXV focused on the exploration and development of gold and silver deposits in Morocco from 2014 to 2017. Since 2016, he acted as Chief Financial Officer of Monarch. Mr. Lévesque is CPA, CA and a member of the *Ordre des comptables professionnels agréés* du Québec. He earned a Bachelor's degree in Business Administration from the Université Laval in 1995.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As at the date of the Circular, no current or proposed director or executive officer of SpinCo is, or within the 10 years prior to the date of the Circular has been, a director, chief executive officer or chief financial officer of any company (including SpinCo), that:

- (a) While that person was acting in that capacity was subject to:
 - (i) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or
 - (ii) an order similar to a cease trade order, or
 - (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an “**Order**”); or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of SpinCo, as at the date of the Circular, no current director, executive officer, or shareholder holding a sufficient number of securities of SpinCo to affect materially the control of SpinCo is, or within the 10 years prior to the date of the Circular has:

- (a) been a director or executive officer of any company (including SpinCo) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of SpinCo, as at the date of the Circular, no current director, executive officer, or shareholder holding a sufficient number of securities of SpinCo to affect materially the control of SpinCo has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of SpinCo will be subject in connection with the business of SpinCo. In particular, certain of the proposed directors and/or officers of SpinCo serve as directors and/or officers of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties and whose business may, from time to time, be in direct or indirect competition with SpinCo. Such associations may give rise to conflicts of interest from time to time. The directors of SpinCo are required by law to act honestly and in good faith with a view to the best interests of SpinCo and to disclose any interest, which they may have in any project opportunity of SpinCo. Conflicts, if any, will be subject to and governed by laws applicable to directors' and officers' conflicts of interest, including the procedures and remedies available under the CBCA. The CBCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA. As at the date of the Circular, SpinCo is not aware of any existing or potential material conflicts of interest between SpinCo and any current or proposed director or officer of SpinCo. See in this Appendix F, "*Risk Factors — Conflicts of Interest*".

EXECUTIVE COMPENSATION

For purposes of this section, the terms "**Named Executive Officers**" or "**NEO**" refer to each of the following individuals:

- (a) a chief executive officer ("**CEO**") of the corporation;
- (b) a chief financial officer ("**CFO**") of the corporation;
- (c) each of the corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the corporation, nor acting in a similar capacity, at the end of that financial year.

Compensation Discussion and Analysis

It is expected that the SpinCo Board will have a human resources, compensation and nomination committee (the "**SpinCo Compensation Committee**") that will be responsible for ensuring that SpinCo has in place an appropriate plan for executive compensation and for making recommendations to the SpinCo Board with respect to the compensation of SpinCo's executive officers. It is expected that the SpinCo Compensation Committee will ensure that total compensation paid to all NEOs is fair and reasonable and is consistent with SpinCo's compensation philosophy.

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. SpinCo's compensation philosophy will be to foster entrepreneurship at all levels of the organization through, among other things, the granting of securities-based awards, which will be a significant component of executive compensation. This approach is based on the assumption that the performance of the SpinCo Share price over the long-term is an important indicator of long-term performance.

It is expected that SpinCo's compensation philosophy will be based on the following fundamental principles:

- (a) Compensation programs align with shareholder interests – SpinCo aligns the goals of executives with maximizing long term shareholder value;
- (b) performance sensitive – compensation for executive officers should be linked to operating and market performance of SpinCo and fluctuate with the performance; and
- (c) offer market competitive compensation to attract and retain talent – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest caliber.

The objectives of the compensation program in compensating all NEOs will be developed based on the above-mentioned compensation philosophy and will be as follows:

- to attract and retain highly qualified executive officers;
- to align the interests of executive officers with shareholders' interests and with the execution of the SpinCo's business strategy;
- to evaluate executive performance on the basis of key measurements that correlate to long-term shareholder value; and
- to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

Aggregate compensation for each NEO will be designed to be competitive. The SpinCo Compensation Committee will review from time to time the compensation practices of similarly situated companies when considering SpinCo's executive compensation policy. Although the SpinCo Compensation Committee will review each element of compensation for market competitiveness, and it may weigh a particular element more heavily based on the NEO's role within SpinCo, it will be primarily focused on remaining competitive in the market with respect to total compensation.

From time to time, on an ad hoc basis, the SpinCo Compensation Committee will review data related to compensation levels and programs of various companies that are similar in size to SpinCo and operate within the mining exploration and development industry. The SpinCo Compensation Committee will also rely on the experience of its members as officers and/or directors at other companies in similar lines of business as SpinCo in assessing compensation levels.

Aligning the Interests of the NEOs with the Interests of the SpinCo Shareholders

SpinCo believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs. SpinCo's objective will be to establish benchmarks and targets for its NEOs which, if achieved, will enhance shareholder value. A combination of fixed and variable compensation will be used to motivate executives to achieve overall corporate goals. The three basic components of SpinCo's executive officer compensation program will be:

- Fixed salary;
- annual incentives (cash bonus); and
- security based compensation.

Fixed salary will comprise a portion of the total cash-based compensation; however, annual incentives and security based compensation arrangements represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance targets; and (ii) market performance of the SpinCo Shares. No specific formulae have been developed to assign a specific weighting to each of these components. Instead, the SpinCo Board will consider each performance target and SpinCo's performance and assigns compensation based on this assessment and the recommendations of the SpinCo Compensation Committee.

Base Salary

The SpinCo Compensation Committee and the SpinCo Board will approve the salary ranges for the NEOs. The base salary review for each NEO will be based on assessment of factors such as current competitive market conditions, compensation levels within compensation practices of similarly situated companies and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. SpinCo may consider comparative data for corporation's peer group which would be accumulated from a number of external sources including independent consultants. SpinCo's policy for determining salary for executive officers will be consistent with the administration of salaries for all other employees. As of the date of the Circular, SpinCo has not paid any salaries.

Annual Incentives

To date, SpinCo has not awarded any annual incentives by way of cash bonuses. However, SpinCo, in its discretion, may award such incentives in order to motivate executives to achieve short-term corporate goals. The SpinCo Compensation Committee and the SpinCo Board will approve annual incentives.

The success of NEOs in achieving their individual objectives and their contribution to SpinCo in reaching its overall goals are to be factors in the determination of their annual bonus. The SpinCo Compensation Committee shall assess each NEO's performance on the basis of his or her respective contribution to the achievement of the predetermined corporate objectives, as well as to needs of SpinCo that arise on a day to day basis. This assessment will be used by the SpinCo Compensation Committee in developing its recommendations to the SpinCo Board with respect to the determination of annual bonuses for the NEOs. Where the SpinCo Compensation Committee cannot unanimously agree, the matter will be referred to the full SpinCo Board for decision. The SpinCo Board will rely heavily on the recommendations of the SpinCo Compensation Committee in granting annual incentives.

Security-Based Awards

Subject to shareholder approval, following completion of the Arrangement, SpinCo will have two security-based mechanisms pursuant to which awards may be granted by SpinCo to its directors, NEOs, executive officers and key employees. Said mechanisms are the SpinCo Option Plan and the SpinCo RSU Plan, which will be implemented when the SpinCo Shares are listed on the TSX or another stock exchange.

SpinCo Option Plan

The SpinCo Option Plan serves as a long-term incentive plan, pursuant to which SpinCo Options may be granted to senior officers of SpinCo, including the Named Executive Officers, directors of SpinCo and any key employee of SpinCo designated as such by the SpinCo Board. This component of compensation is a major component of total compensation for senior officers and is intended to retain the services of valued employees, motivate them to take actions that enhance shareholder value and align their interests with those of the shareholders.

SpinCo Options held by management will be taken into consideration by SpinCo at the time of any subsequent SpinCo Option grants under the SpinCo Option Plan in determining the quantum or terms of any such subsequent SpinCo Option grants. The size of the SpinCo Option awards is anticipated to be in proportion to the deemed ability of the individual to make an impact on SpinCo's success, as determined by the SpinCo Board. See in this Appendix F, "*Options and Other Rights to Purchase Securities of SpinCo*".

SpinCo RSU Plan

The SpinCo RSU Plan serves to provide Eligible Persons, including Named Executive Officers, directors of SpinCo and any key employee of SpinCo with greater incentive to develop and promote the business and financial success of SpinCo, to align the interests of Eligible Persons with those of the SpinCo Shareholders generally through a proprietary ownership interest in SpinCo, to recognize the contribution of Eligible Persons to the growth of SpinCo, to provide a long-term incentive element in an overall compensation package which is competitive, to motivate Eligible Persons to achieve important corporate and personal objectives to be determined by SpinCo, as well as to assist SpinCo in attracting, retaining and motivating Eligible Persons.

Compensation of Executives

As at the date of the Circular, no remuneration or other compensation has been paid or provided by SpinCo to its executive officers for their services.

The SpinCo Board will approve targeted amounts of annual incentives for each NEO at the beginning of each financial year. The targeted amounts will be determined by the SpinCo Compensation Committee based on a number of factors, including comparable compensation of similar companies.

Achieving predetermined individual and/or corporate targets and objectives, as well as general performance in day-to-day corporate activities, will trigger the award of a bonus payment to the NEOs. The NEOs will receive a partial or full incentive payment depending on the number of the predetermined targets met and the SpinCo Compensation Committee's and the SpinCo Board's assessment of overall performance. The determination as to whether a target has been met will ultimately be made by the SpinCo Board and the SpinCo Board will reserve the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate.

At or prior to the Effective Time, SpinCo expects to enter into employment agreements (collectively, the "**Executive Employment Agreements**") with certain Named Executive Officers, pursuant to which these Named Executive Officers will provide management and administrative services to, and be compensated for those services by, SpinCo, as more particularly described in this Appendix F below under the heading "*Employment Agreements*".

Employment Agreements

Jean-Marc Lacoste

At or prior to the Effective Time, SpinCo will enter into an employment agreement with Mr. Jean-Marc Lacoste pursuant to which Mr. Lacoste will provide his services as President and Chief Executive Officer of SpinCo in consideration of an annual base salary of \$350,000 (the “**SpinCo Lacoste Agreement**”).

The SpinCo Lacoste Agreement will provide the following:

- (a) the employment of Mr. Lacoste is for an indeterminate term;
- (b) Mr. Lacoste is eligible to receive a yearly bonus according to the parameters and guidelines of SpinCo for the remuneration of its managers as adopted by the SpinCo Board;
- (c) Mr. Lacoste benefits from SpinCo’s collective insurance;
- (d) Mr. Lacoste is entitled to four weeks of paid vacations per year and also to SpinCo Options and SpinCo Share Units that may be granted from time to time by the SpinCo Board under the SpinCo Option Plan and SpinCo RSU Plan then in force;
- (e) SpinCo may, for cause, terminate at any time the employment of Mr. Lacoste. In such case, the SpinCo Lacoste Agreement will be terminated and SpinCo will have no obligation to provide Mr. Lacoste with any notice of termination or to pay him any indemnity or compensation whatsoever;
- (f) SpinCo may also, without cause, terminate at any time the employment of Mr. Lacoste. In such case, SpinCo will have the obligation to provide Mr. Lacoste with a written notice of termination and the latter will be entitled to receive a lump sum representing nine months of salary payable on the last day of work at the business address of SpinCo; and
- (g) Mr. Lacoste may, at any time, resign from his employment for any reason. In such case, Mr. Lacoste will have to provide SpinCo with a notice of resignation at least two months before his resignation.

In addition, the SpinCo Lacoste Agreement will provide for the following should SpinCo undergo a change a control:

- (a) within one year after a change of control, should SpinCo, without cause, terminate the SpinCo Lacoste Agreement or should Mr. Lacoste leave SpinCo within such one-year period due to constructive dismissal, SpinCo shall immediately provide Mr. Lacoste with:
 - i) a severance allowance equal to 24 months of his basic annual salary on the termination date;
 - ii) the greater of the following: (a) the bonus paid to him during the two financial years immediately preceding the date his employment is terminated or (b) the average of the annual bonuses paid to him in the three financial years immediately preceding the date his employment is terminated multiplied by two;
 - iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in the SpinCo Lacoste Agreement;
 - iv) payment of fees of an outplacement counsellor and reimbursement of reasonable expenses incurred in connection with Mr. Lacoste’s job search, up to a total amount equal to five percent of his annual basic salary;
 - v) payment of fees of the financial and/or tax advisor(s) chosen by Mr. Lacoste, up to an amount equal to five percent of his annual base salary.

As per the SpinCo Lacoste Agreement, Mr. Lacoste must comply with all confidentiality, non-solicitation and non-compete clauses. These clauses will apply for the duration of the employment of Mr. Lacoste and, in the case of the non-compete clause, for a period of 12 months following termination of his employment. As for the non-solicitation clause, it will remain in effect for a period of three months following termination of his employment. Finally, as for the confidentiality clause, it will remain in effect for a period of one year following termination of his employment.

Alain Lévesque

At or prior to the Effective Time, SpinCo will enter into an employment agreement with Mr. Alain Lévesque pursuant to which Mr. Lévesque will be employed as Vice President, Finance and Chief Financial Officer of SpinCo in consideration of an annual base salary of \$210,000 (the “**SpinCo Lévesque Agreement**”).

The SpinCo Lévesque Agreement will provide the following:

- (a) the employment of Mr. Lévesque is for an indeterminate term;
- (b) Mr. Lévesque is eligible to receive a yearly bonus according to the parameters and guidelines of SpinCo for the remuneration of its managers as adopted by the SpinCo Board;
- (c) Mr. Lévesque benefits from SpinCo’s collective insurance;
- (d) Mr. Lévesque is entitled to four weeks of paid vacations per year and also to SpinCo Options and SpinCo Share Units that may be granted from time to time by the SpinCo Board under the SpinCo Option Plan and SpinCo RSU Plan then in force;
- (e) SpinCo may, for cause, terminate at any time the employment of Mr. Lévesque. In such case, the SpinCo Lévesque Agreement will be terminated and SpinCo will have no obligation to provide Mr. Lévesque with any notice of termination or to pay him any indemnity or compensation whatsoever;
- (f) SpinCo may also, without cause, terminate at any time the employment of Mr. Lévesque. In such case, SpinCo will have the obligation to provide Mr. Lévesque with a written notice of termination and the latter will be entitled to receive a lump sum representing eight months of salary payable on the last day of work at the business address of SpinCo if the termination occurred in the first eight months of the employment and twelve months if the termination occurred after eight months of employment; and
- (g) Mr. Lévesque may, at any time, resign from his employment for any reason. In such case, Mr. Lévesque will have to provide SpinCo with a notice of resignation at least two months before his resignation.

In addition, the SpinCo Lévesque Agreement will provide for the following should SpinCo undergo a change a control:

- (a) within one year after a change of control, should SpinCo, without cause, terminate the SpinCo Lévesque Agreement or should Mr. Lévesque leave SpinCo within such one-year period due to constructive dismissal, SpinCo shall immediately provide Mr. Lévesque with:
 - i) a severance allowance equal to 12 months of his basic annual salary on the termination date;
 - ii) the greater of the following: (a) the bonus paid to him during the two financial years immediately preceding the date his employment is terminated or (b) the average of the annual bonuses paid to him in the two financial years immediately preceding the date his employment is terminated multiplied by two;
 - iii) for a period of one year following the termination date or until the first day of any new employment, whichever is earlier, entitlement to all benefits provided for in the SpinCo Lévesque Agreement;
 - iv) payment of fees of an outplacement counsellor and reimbursement of reasonable expenses incurred in connection with Mr. Lévesque’s job search, up to a total amount equal to five percent of his annual basic salary;
 - v) payment of fees of the financial and/or tax advisor(s) chosen by Mr. Lévesque, up to an amount equal to five percent of his annual base salary.

As per the SpinCo Lévesque Agreement, Mr. Lévesque must comply with all confidentiality, non-solicitation and non-compete clauses. These clauses will apply for the duration of the employment of Mr. Lévesque and, in the case of the non-compete clause, for a period of 12 months following termination of his employment. As for the confidentiality clause, it will remain in effect for a period of two years following termination of his employment.

Pension Plan Benefits, Termination and Change of Control Benefits

Following the completion of the Arrangement, it is expected that SpinCo will assume the continuity of the Simplified Pension Plan for Monarch's employees. Information regarding this pension plan can be found in section "*Named Executive Officer and Director Compensation – Pension Plan Benefits*" of the Circular.

Compensation Risk Considerations

The SpinCo Compensation Committee will be responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk taking. SpinCo anticipates the programs will be balanced and do not motivate unnecessary or excessive risk taking. SpinCo does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity. However, to the knowledge of SpinCo, as of the date of hereof, no director or NEO of SpinCo has participated in the purchase of such financial instruments.

Base salaries will be fixed in amount and will not encourage risk taking. While annual incentive awards will focus on the achievement of short-term or annual goals and short-term goals may encourage the taking of short-term risks at the expense of long term results, SpinCo's annual incentive award program will represent a small percentage of employees' compensation opportunities. Annual incentive awards will be based on various personal and company-wide achievements. Such performance goals are subjective and include achieving individual and/or corporate targets and objectives, as well as general performance in day-to-day corporate activities which would trigger the award of a bonus payment to the NEO. The determination as to whether a target has been met will ultimately be made by the SpinCo Board (after receiving recommendations of the SpinCo Compensation Committee) and the SpinCo Board will reserve the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate. Funding of the annual incentive awards will be capped at the company level and the distribution of funds to the executive officers will be at the discretion of the SpinCo Compensation Committee.

SpinCo Option awards and SpinCo Share Unit awards are important to further align employees' interests with those of the SpinCo Shareholders. The ultimate value of the SpinCo Option awards and SpinCo Share Unit awards is tied to the price of the SpinCo Shares and since awards are expected to be staggered and subject to long-term vesting schedules, they will help ensure that NEOs have significant value tied in long-term stock price performance.

Compensation of Directors

No remuneration has been paid to the directors for their services as directors to the date hereof.

SpinCo expects to set directors' fees of: (i) \$14,000 per year for the Chairman of the SpinCo Board, (ii) \$10,000 per year for the SpinCo Board members, (iii) \$7,500 per year for the Chairman of a Committee of the SpinCo Board and (iv) an attendance fee of \$1,000 for each member of the SpinCo Board and of a Committee of SpinCo (including the Chairman of the SpinCo Board and the Chairman of a Committee). In addition, each of the directors will be entitled to participate in the SpinCo Option Plan and Restricted Share Unit Plan as more fully described under the heading "*Options and Other Rights to Purchase Securities of SpinCo*" in this Appendix F. Directors of SpinCo will not be entitled to any additional directors' fees.

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES OF SPINCO

SpinCo Option Plan

SpinCo will adopt the SpinCo Option Plan, subject to its ratification and confirmation by the Monarch Shareholders at the Meeting. If the SpinCo Option Plan Resolution is not approved at the Meeting, or if the Arrangement is not completed, the SpinCo Option Plan will not be implemented.

The SpinCo Option Plan is a rolling stock option plan pursuant to which the aggregate number of SpinCo Shares that may be issuable, subject to adjustment as provided in the SpinCo Option Plan, combined with all of SpinCo's other securities-based compensation arrangements, including the SpinCo RSU Plan, shall not exceed 10% of the issued and outstanding SpinCo Shares.

As of the date of the Circular, no SpinCo Options have been granted nor have any other rights or securities to purchase SpinCo Shares been issued by SpinCo. If approved, the SpinCo Option Plan will be implemented if and when the SpinCo

Shares are listed on the TSX or another stock exchange. The SpinCo Board does not intend to grant any SpinCo Options prior to the listing of the SpinCo Shares on the TSX or other stock exchange.

The material terms of the SpinCo Option Plan are described in the Circular “*Particular Matters to be Considered at the Meeting—Approval of SpinCo Option Plan*”.

SpinCo RSU Plan

SpinCo will adopt the SpinCo RSU Plan effective as of the Effective Time, subject to its approval by the Monarch Shareholders at the Meeting and subject to the SpinCo RSU Plan being approved by the TSX. If the RSU Resolution is not approved at the Meeting, or if the Arrangement is not completed, the SpinCo RSU Plan will not be implemented.

As of the date of the Circular, no SpinCo Share Units have been granted nor have any other rights or securities to purchase SpinCo Shares been issued by SpinCo. If approved, the SpinCo RSU Plan will be implemented if and when SpinCo lists the SpinCo Shares on a stock exchange. The SpinCo Board does not intend to grant any SpinCo Share Units prior to the listing of the SpinCo Shares on the TSX or other stock exchange.

Subject to adjustment as provided in the SpinCo RSU Plan, the aggregate number of SpinCo Shares that may be issuable pursuant to the SpinCo RSU Plan combined with all of SpinCo’s other securities-based compensation arrangements, including the SpinCo Option Plan, shall not exceed 10% of the issued and outstanding SpinCo Shares.

The material terms of the SpinCo RSU Plan are described in the Circular “*Particular Matters to be Considered at the Meeting—Approval of SpinCo RSU Plan*”.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current or proposed directors or officers of SpinCo, nor any affiliate or associate of the current or proposed directors or officers of SpinCo, is or was indebted to SpinCo or to another entity which is the subject of a guarantee support agreement, letter of credit, or other similar arrangement or undertaking provided by SpinCo entered into in connection with a Purchase of Securities or otherwise per item 1.01 of National Instrument NI 51-102F5 – *Information Circular*, at any time since its incorporation.

AUDIT COMMITTEE

The audit committee of SpinCo (the “**SpinCo Audit Committee**”) will be responsible for monitoring SpinCo’s accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of financial statements and for directing the auditors’ examination of specific areas. All of the members of the Audit Committee will be “independent” directors as defined in NI 52-110 and the initial members of the SpinCo Audit Committee will be Guylaine Daigle, Michel Bouchard and Christian Pichette. Each member of the SpinCo Audit Committee will be considered to be “financially literate” within the meaning of NI 52-110 which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of SpinCo’s financial statements. The SpinCo Board intends to adopt a charter for the SpinCo Audit Committee prior to the Effective Time.

Relevant Education and Experience

The relevant education and experience of each of the proposed members of the SpinCo Audit Committee is as follows:

Name of Member	Education	Experience
Guylaine Daigle	B. Sc. Accounting, Université du Québec - Abitibi-Témiscamingue	Has over 25 years of experience in financial management, primarily in the mining industry.
Michel Bouchard	B. Sc. Geology, Université de Montréal M. Sc. Geology, Université de Montréal MBA Business Administration, HEC Montréal	Has been involved in the exploration, development and production aspects of the mining sector for over 30 years and has held several senior management positions in the mining sector.
Christian Pichette	B.Sc. Mining Engineering École Polytechnique de Montréal MBA Rock Mechanics, École Polytechnique de Montréal	Has over 35 years of experience in the mining industry and has held managerial positions with many Canadian corporations.

Pre-Approval Policies and Procedures

The SpinCo Audit Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of SpinCo.

CORPORATE GOVERNANCE

Policy Statement 58-201 *to Corporate Governance Guidelines* sets out a series of guidelines for effective corporate governance (the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

Set out below is a description of SpinCo’s intended approach to corporate governance in relation to the Guidelines.

The Board of Directors

NI 58-101 defines an “independent director” as a director who has no direct or indirect material relationship with the corporation. A “material relationship” is in turn defined as a relationship which could, in the view of the SpinCo Board, be reasonably expected to interfere with such member’s independent judgment. At the Effective Time, the Board is expected to be comprised of five members, four of whom the SpinCo Board has determined will be “independent directors” within the meaning of NI 58-101.

At the Effective Time, of SpinCo’s proposed five directors, Guylaine Daigle, Laurie Gaborit, Michel Bouchard and Christian Pichette will be considered independent directors since they are each independent of management and free from any material relationship with SpinCo. The basis for this determination is that, since the date of incorporation of SpinCo, none of the independent directors have worked for SpinCo, received remuneration from SpinCo or had material Contracts with or material interests in SpinCo which could interfere with their ability to act with a view to the best interests of SpinCo. Jean-Marc Lacoste is not independent director since he is an officer of SpinCo.

The SpinCo Board believes that it will function independently of management. To enhance its ability to act independent of management, the SpinCo Board may in the future meet in the absence of members of management or may excuse such persons from all or a portion of any meeting where an actual or potential conflict of interest arises or where the SpinCo Board otherwise determines is appropriate.

Directorships

All of the directors and proposed directors are currently directors of Monarch. In addition, certain of the directors or proposed directors of SpinCo are also current directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of Director	Other reporting issuer (or equivalent in a foreign jurisdiction)	Trading Market
Michel Bouchard	Sirios Resources Inc.	TSXV
	Cartier Resources Inc.	TSXV
Laurie Gaborit	Gold Terra Resource Corp.	TSXV

Orientation and Continuing Education

While SpinCo currently has no formal orientation and education program for new SpinCo Board members, it is expected that sufficient information (such as recent financial statements, technical reports and various other operating, property and budget reports) will be provided to all new members of the SpinCo Board to ensure that new directors are familiarized with SpinCo’s business and the procedures of the SpinCo Board. In addition, new directors will be encouraged to visit and meet with management on a regular basis. SpinCo will also encourage continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to

SpinCo. The SpinCo Board's continuing education will also consist of correspondence with SpinCo's legal counsel to remain up to date with developments in relevant corporate and securities' law matters.

Ethical Business Conduct

A director, in the exercise of his or her functions and responsibilities, must act with complete honesty and good faith in the best interest of SpinCo. He or she must also act in accordance with the applicable laws, regulations and policies.

In the event of a conflict of interest, a director is required to declare the nature and extent of any material interest he or she has in any important contract or proposed contract of SpinCo, as soon as he or she has knowledge of the agreement or of SpinCo's intention to consider or enter into the proposed contract and in such a case, the director shall abstain from voting on the subject.

SpinCo will adopt a code of ethics and business conduct for directors, officers and employees of SpinCo (the "**Code of Ethics**"). Consultants and suppliers of goods and services will be also required to comply with the provisions of the Code of Ethics.

Board Committees

The SpinCo Board will have two standing committees: the SpinCo Audit Committee and the SpinCo Compensation Committee. The proposed members of these committees are in Appendix F under the heading "*Audit Committee*" above, and under the heading "*Compensation Committee*". The SpinCo Board intends to adopt a charter for the SpinCo Audit Committee and for the SpinCo Compensation Committee prior to the Effective Time.

Nomination of Directors

The responsibility for identifying new candidates to join the SpinCo Board will belong to the SpinCo Board as a whole. The SpinCo Board will encourage all directors to participate in the process of identifying and recruiting new candidates. The SpinCo Compensation Committee will have the responsibility of making recommendations to the SpinCo Board with respect to the new nominees and for assessing directors on an on-going basis. While there are no specific criteria for SpinCo Board membership, SpinCo will seek to attract and retain directors with business knowledge and a particular expertise in mineral exploration and development or other areas of specialized knowledge (such as finance) which will assist in guiding the officers of SpinCo. All of the members of the SpinCo Compensation Committee will be independent directors and the initial members will be Christian Pichette, Guylaine Daigle and Laurie Gaborit. See in this Appendix F, "*Executive Compensation*" and "*— Compensation*".

Compensation Committee

The SpinCo Compensation Committee will be responsible for assisting SpinCo in determining compensation of senior management as well as reviewing the adequacy and form of the directors' compensation and will ensure that the levels of compensation of the SpinCo Board reflect the responsibilities, time commitment and risks involved in being an effective director. The SpinCo Compensation Committee is expected to annually review the annual goals and objectives of SpinCo's senior executives and to perform an appraisal of their performance for the previous financial year. The SpinCo Compensation Committee will also administer and make recommendations regarding the operation of the SpinCo's incentive plans. All of the proposed members of the SpinCo Compensation Committee are independent directors and the initial members will be Christian Pichette, Guylaine Daigle and Laurie Gaborit. See in this Appendix F, "*Executive Compensation*" and "*— Compensation*".

Audit Committee

On or before the Effective Date, SpinCo will establish the SpinCo Audit Committee comprised of directors considered to be independent and financially literate in accordance with applicable securities laws. The SpinCo Board intends to adopt a charter for the SpinCo Audit Committee prior to the Effective Time.

Other Board Committees

Other than the SpinCo Audit Committee and the SpinCo Compensation Committee, it is not anticipated that SpinCo will have any additional committees immediately following the Effective Time. The SpinCo Board may, however, establish additional committees after the Effective Time, depending on the needs of SpinCo.

Board Mandate

The SpinCo Board does not intend to adopt a written formal mandate describing the SpinCo Board's duties, responsibilities and role as well as the SpinCo's expectations of individual directors and of management.

Primary Role and Objectives

The mandate of the SpinCo Board will be to supervise the management of the business and affairs of SpinCo. The SpinCo Board will monitor the manner in which SpinCo will conduct its business as well as the senior management responsible for the day-to-day operations of SpinCo. The SpinCo Board will set SpinCo's policies, assesses their implementation by management and reviews the results.

The SpinCo Board's fundamental objectives will be to enhance and preserve long-term shareholder value and to ensure that SpinCo will conduct business in an ethical and safe manner, having regard for the legitimate interests of its stakeholders.

The SpinCo Board, either directly or through one of its committees, will assume specific responsibility for the following five matters: (i) the adoption of a strategic planning process; (ii) the identification of the principal risks of SpinCo's business and the implementation of appropriate systems to effectively manage these risks; (iii) the appointing, training, evaluation and monitoring of senior management as well as planning for their succession; (iv) communications with shareholders and the public at large; and (v) the integrity of SpinCo's internal control and management information systems. At the end of each fiscal year, the SpinCo Board will receive, analyse and, where appropriate, approve a yearly plan of action and budget submitted by the President and Chief Executive Officer for the following fiscal year. Throughout the fiscal year, the Board will receive periodic reports from the President and Chief Executive Officer and other senior executives to monitor SpinCo's performance with reference to the adopted budget. SpinCo periodically will review its strategic plan in light of developments in the mining industry and SpinCo's development. This strategic plan will produce along with five-year financial forecasts. In addition to decisions requiring formal approval by the SpinCo Board pursuant to the law or SpinCo's Articles and By-laws, the SpinCo Board will make all important decisions concerning, among other things, major investments and significant divestitures.

Assessments

Given its early stage of development, the SpinCo Board will not initially take any formal steps to assess the performance of the SpinCo Board or its committees. The SpinCo Board will consider SpinCo Board and committee performance, from time to time, as required.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of SpinCo and could cause SpinCo's operating and financial performance to differ materially from the estimates described in forward-looking statements related to SpinCo. These include widespread risks associated with any form of business and specific risks associated with SpinCo's business and its involvement in the mineral exploration and development industry. An investment in the SpinCo Shares, as well as SpinCo's prospects, are highly speculative due to the high-risk nature of its business and the present stage of its operations. Shareholders of SpinCo may lose their entire investment. The risks described below are not the only ones facing SpinCo. Additional risks not currently known to SpinCo, or that SpinCo currently deems immaterial, may also impair SpinCo's business or operations. If any of the following risks actually occur, SpinCo's business, financial condition, operating results and prospects could be adversely affected.

Monarch Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in SpinCo. In evaluating SpinCo and its business and whether to vote in favour of the Arrangement, Monarch Shareholders should carefully consider, in addition to the other information contained in the Circular and this Appendix F, the risk factors which follow, as well as the risks associated with the Arrangement (see in the Circular "*The Arrangement — Risks Associated with the Arrangement*"). These risk factors may not be a definitive list of all risk factors associated with the Arrangement, an investment in SpinCo or in connection with SpinCo's business or operations.

Operational Risks

Commodity prices

The price of SpinCo's securities, its financial results, and its access to the capital required to finance its exploration activities may in the future be adversely affected by declines in the price of precious and base metals and, in particular, the price of gold. Precious metal prices fluctuate widely and are affected by numerous factors beyond SpinCo's control such as the sale or purchase of precious metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors continue to adversely affect the price of gold, the market price of SpinCo's securities may decline.

Project risk

The ability of SpinCo to successfully explore its properties and find sufficient mineral resources and reserves to consider mine development, and there after sustain or increase levels of gold production will be dependent in part on the success of its projects. Significant projects contemplated for the next few years include the Beaufor Mine, the Croinor Property, the McKenzie Property and the Swanson Property. However, some or all of these projects may not proceed, and other projects may arise. Risks and unknowns inherent in all projects include, but are not limited to, the accuracy of reserve estimates; metallurgical recoveries; geotechnical and other technical assumptions; capital and operating costs of such projects; the future price of gold; and scoping of major projects including delays, aggressive schedules and unplanned events and conditions. The significant capital expenditures and long time period required to develop new mines or other projects are considerable and changes in costs and market conditions or unplanned events or construction schedules can affect project economics. Actual costs and economic returns may differ materially from SpinCo's estimates or SpinCo could fail or be delayed in obtaining the governmental approvals necessary for the execution of a project, in which case, the project may not proceed either on its original timing or at all.

SpinCo may be unable to develop projects that demonstrate attractive economic feasibility at low gold prices. The number of projects in the future may outweigh SpinCo's capital, financial and staffing capacity restricting the ability to concurrently execute multiple projects and adversely affecting the potential timing of when those projects can be put into production. The inability to execute adequate governance over developmental projects can also have a major negative impact on project development activities.

Exploration

The exploration process generally begins with the identification and appraisal of mineral prospects. Exploration and development projects have no operating history upon which to base estimates of future operating costs and capital requirements. Mining projects frequently require a number of years and significant expenditures during the mine development phase before production is possible. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits, acquiring title to prospects and the receipt of adequate financing. The economic feasibility of development projects is based on many factors such as:

- Estimation of reserves;
- anticipated metallurgical recoveries;
- environmental considerations and permitting;
- estimates of future gold prices; and
- anticipated capital and operating costs of such projects.

Exploration and development of mineral deposits thus involve significant financial risks which a combination of careful evaluation, experience and knowledge may not eliminate. The discovery of an ore body may result in substantial rewards, however, few properties which are explored are ultimately developed into producing mines. A mine must generate sufficient revenues to offset operating and development costs such as the costs required to establish reserves by drilling, to develop metallurgical processes, to construct facilities and to extract and process metals from the ore. Once in production, it is impossible to determine whether current exploration and development programs at any given mine will result in the establishment of new reserves.

Reliance on a Limited Number of Properties

The only material property interest of SpinCo is its interest in the Beaufor Mine located in the Abitibi-Témiscamingue. The other SpinCo Properties are not seen as contributing to proposed shareholder value at this time. As a result, unless SpinCo acquires additional property interests, any adverse developments affecting this property could have a Material Adverse Effect upon SpinCo and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of SpinCo. While SpinCo may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that SpinCo will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to SpinCo or at all. See “*Principal Properties*” in this Appendix F.

Mineral reserves and mineral resources

Mineral reserves and mineral resources are based on estimates of mineral content and quantity derived from limited information acquired through drilling and other sampling methods and requires judgmental interpretations of geology, structure, grade distributions and trends, and other factors. No assurance can be given that the estimates are accurate or that the indicated level of metal will be produced. Actual mineralization or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change.

Market price fluctuations of gold as well as increased production and capital costs, reduced recovery rates or technical, economic, regulatory or other factors may render SpinCo’s proven and probable reserves unprofitable to develop or continue to exploit at a particular site or sites for periods of time or may render mineral reserves containing relatively lower-grade mineralization uneconomic. Successful extraction requires safe and efficient mining and processing. Moreover, short-term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore types, may cause mineral reserves to become uneconomic or SpinCo to be unprofitable in any particular reporting period. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require SpinCo to reduce its mineral reserves and resources, which could have a negative impact on SpinCo’s financial results. Failure to adequately allocate resources at a pace equal to, or better than mine depletion will also impact the estimates. Failure to obtain or maintain necessary permits or government approvals, or revocation of or regulatory changes affecting necessary permits or government approvals, or environmental concerns could also cause SpinCo to reduce its mineral reserves. There is also no assurance that SpinCo will achieve indicated levels of gold recovery or obtain the prices for gold production assumed in determining the amount of such reserves. Anticipated levels of production may be impacted by numerous factors, including, but not limited to, mining conditions, labour availability and relations, weather, seismic events, civil disturbances and supply shortages.

Advanced project development studies

SpinCo internally and/or along with third party specialists conducts advanced project development studies, including prefeasibility studies and feasibility studies to advance and demonstrate the economic viability of a project and to further refine the engineering designs, mine plans, ore body models, infrastructure and environmental requirements, capital and operating costs and financial models. The results of the advanced project development studies represent forward-looking information and are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such information. Such information speaks only as of the date of the assessment report and is based on a number of assumptions which are believed to be valid as of that date, but which may prove to be incorrect in the future. Advanced project development studies are intended to provide an increased level of analysis versus preliminary economic assessments; however, they are still only estimated to a relatively wide confidence interval and there is no certainty that the projected economic and production results may be realized.

Life of mine plans

The life of mine estimates for each of the material properties of SpinCo are based on a number of factors and assumptions and may prove to be incorrect. In addition, life of mine plans, by design, may have declining grade profiles and increasing rock hardness over time and mine life could be shortened if SpinCo increases production, experiences increased production costs or if the price of gold declines significantly. Reserves at operating sites can be replaced by upgrading existing resources to mineral reserves generally by the completion of additional drilling and/or development to improve the estimate confidence and by demonstrating their economic viability, by expanding known deposits, by locating new deposits, or by making acquisitions. Substantial expenditures are required to delineate resources and ultimately establish proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future

exploration programs will be successful. There is a risk that depletion of reserves will not be offset by resource conversions, expansions, discoveries, or acquisitions.

Titles

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral deposits may be disputed. Although SpinCo believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims on underlying portions of SpinCo's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, SpinCo may be unable to operate its properties as permitted or to enforce its rights in respect of its properties. Moreover, where SpinCo's interest in a property is less than 100%, or a third party holds a form of profit sharing interest, SpinCo's entitlement to, and obligations in respect of, the property are subject to the terms of the agreement relating to that property, or in the absence of an agreement subject to provincial or federal laws and regulations, which in certain circumstances may be the subject of differing interpretations between the parties.

Permitting

Mineral exploration and mining activities may only be conducted by entities that have obtained or renewed exploration or mining permits and licenses in accordance with the relevant mining laws and regulations. No guarantee can be given that the necessary exploration and mining permits and licenses will be issued to SpinCo in a timely manner, or at all, or, if they are issued, that they will be renewed, or that SpinCo will be in a position to comply with or can afford to comply with all conditions that may be imposed.

Government regulations

SpinCo's mining and mineral processing operations and exploration activities are subject to the laws and regulations of federal, provincial, and local governments in the jurisdictions in which SpinCo operates. These laws and regulations are extensive and govern prospecting, exploration, development, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, environmental protection, mine safety and other matters. Compliance with such laws and regulations increases the costs of planning, designing, drilling, developing, constructing, operating, closing, reclaiming and rehabilitating mines and other facilities. New laws, regulations or taxes, amendments to current laws, regulations or taxes governing operations and activities of mining corporations or more stringent implementation or interpretation thereof could have a material adverse impact on SpinCo, cause a reduction in levels of production and delay or prevent the development of new mining properties.

The Canadian mining industry is subject to federal and provincial environmental protection legislation. This legislation sets high standards on the mining industry in order to reduce or eliminate the effects of waste generated by extraction and processing operations and subsequently emitted into the air or water. Consequently, drilling, refining, extracting and milling are all subject to the restrictions imposed by such legislation. In addition, the construction and commercial operation of a mine typically entail compliance with applicable environmental legislation and review processes, as well as the obtaining of permits, particularly for the use of the land, permits for the use of water, and similar authorizations from various governmental bodies. Compliance with such laws and regulations increases the costs of planning, designing, drilling, developing, constructing, operating and closing mines and other facilities.

All of SpinCo's operations are subject to reclamation, site restoration and closure requirements. Costs related to ongoing site restoration programs are expensed when incurred. SpinCo calculates its estimates of the ultimate reclamation liability based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its operating mine sites. It is possible that SpinCo's estimates of its ultimate reclamation liability could change as a result of possible changes in laws and regulations and changes in cost estimates.

Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may become subject to civil or criminal fines or penalties for violations of applicable laws or regulations.

New or expanded environmental regulations, if adopted, or more stringent enforcement of existing laws and regulations, could affect SpinCo's projects or otherwise have a Material Adverse Effect on its operations. As a result, expenditures on any and all projects, actual production quantities and rates and cash operating costs, among other things, may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs,

and estimated production dates may be delayed materially, in each case. Any such event would materially and adversely affect SpinCo's business, financial condition, results of operations and cash flows.

Indigenous rights

SpinCo conducts exploration programs on its properties, which are subject to Indigenous traditional land use. SpinCo, under local laws and regulations, is committed to consult with the First Nations group about any impact of its potential rights or claims, and traditional land use. This may potentially cause delays in making decisions or project start-ups. Further, there is no assurance of favourable outcomes of these consultations. SpinCo may have to face potential adverse consequences such as significant expenses on account of lawsuits and loss of reputation.

Key personnel

Production at SpinCo's mines and mine projects will be dependent on the efforts of SpinCo's employees and contractors. Changes in the relationship between SpinCo and its employees or contractors may have a Material Adverse Effect on SpinCo's business, results of operations and financial condition.

SpinCo will be also dependent upon key management personnel. The loss of the services of one or more of such key management personnel could have a Material Adverse Effect on SpinCo. SpinCo's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. SpinCo faces significant competition for qualified personnel and SpinCo may not be able to attract and retain such personnel.

Competition

The mining industry is intensely competitive, and SpinCo will be in competition with other mining corporations for the acquisition of interests in precious and other metal or mineral mining properties which are in limited supply. In the pursuit of such acquisition opportunities, SpinCo will compete with other Canadian and foreign companies that may have substantially greater financial and other resources. As a result of this competition, SpinCo may be unable to maintain or acquire attractive mining properties on acceptable terms, or at all.

On a regular basis, SpinCo will evaluate potential acquisitions of mining properties and/or interests in other mining corporations, which may entail certain risks.

Consistent with its growth strategy, SpinCo will evaluate the potential acquisition of advanced exploration, development and production assets on a regular basis. From time to time, SpinCo may also acquire securities of or other interests in corporations with whom SpinCo may complete acquisition or other transactions. These transactions involve inherent risks, including, without limitation:

- Accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of key employees or the key employees of any business SpinCo acquires;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, corporations or securities.

Any one or more of these factors or other risks could cause SpinCo not to realize the benefits anticipated to result from the acquisition of properties or corporations, and could have a Material Adverse Effect on SpinCo's ability to grow and, consequently, on SpinCo's financial condition and results of operations.

SpinCo will seek acquisition opportunities consistent with its acquisition and growth strategy, however, it may not be able to identify additional suitable acquisition candidates available for sale at reasonable prices, to consummate any acquisition, or to integrate any acquired business into its operations successfully. Acquisitions may involve a number of special risks, circumstances or legal liabilities, some or all of which could have a Material Adverse Effect on SpinCo's business, results

of operations and financial condition. In addition, to acquire properties and corporations, SpinCo could use available cash, incur debt, issue SpinCo Shares or other securities, or a combination of any one or more of these. This could limit SpinCo's flexibility to raise additional capital, to operate, explore and develop its properties and to make additional acquisitions, and could further dilute and decrease the trading price of the SpinCo Shares. When evaluating an acquisition opportunity, SpinCo cannot be certain that it will have correctly identified and managed the risks and costs inherent in the business that it is acquiring.

At any given time, discussions and activities can be in the process on a number of initiatives, each at different stages of development. Potential transactions may not be successfully completed, and, if completed, the business acquired may not be successfully integrated into SpinCo's operations. If SpinCo fails to manage its acquisition and growth strategy successfully, it could have a Material Adverse Effect on its business, results of operations and financial condition.

Additional Capital

SpinCo plans to focus on exploring for minerals and will use its working capital to carry out such exploration. However, the development and exploration of SpinCo's properties may require substantial additional financing. Further exploration and development of the Beaufor Mine and/or SpinCo's other properties may be dependent upon its ability to obtain financing through equity or debt, and there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of SpinCo's projects.

IT systems security

SpinCo may be exposed to pilferage of private and sensitive data to deliberate cyber attacks or inadvertent loss of media, such as loss of laptops, phones, etc. in public places. Furthermore, unauthorized access to confidential information would have a negative effect on SpinCo's reputation, business, prospects, results of operations and financial condition. The systems that are in place may not be enough to guard against loss of data due to the rapidly evolving cyber threats. SpinCo may be required to increasingly invest in better systems, software, and use of consultants to periodically review and adequately adapt and respond to dynamic cyber risks.

Asset valuation

SpinCo tests the valuation of its property, plant and equipment and exploration and evaluation assets when indications of potential impairment or reversal of a previously recognized impairment are identified.

Management's assumptions and estimates of future cash flows are subject to risks and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of SpinCo's control. Therefore, it is reasonably possible that changes could occur with evolving economic and market conditions, which may affect the fair value of SpinCo's property, plant and equipment and exploration and evaluation assets resulting in either an impairment charge or reversal of impairment.

If SpinCo fails to achieve its valuation assumptions or if any of its property, plant and equipment, exploration and evaluation assets or cash generating units have experienced a decline in fair value, an impairment charge may be required to be recorded, causing a reduction in SpinCo's earnings.

Conversely, if there are observable indicators that any of its property, plant and equipment, exploration and evaluation assets or cash generating units have experienced an increase in fair value, a reversal of a prior impairment may be required to be recorded, causing an increase in SpinCo's earnings.

Financial Risks

Stock price volatility

The market price of SpinCo Shares may fluctuate due to a variety of factors relating to SpinCo's business, including the announcement of expanded exploration, development and production activities by SpinCo and its competitors, gold price volatility, exchange rate fluctuations, consolidations, dispositions, acquisitions and financing, changes or restatements in the amount of SpinCo's mineral resources, fluctuations in SpinCo's operating results, sales of SpinCo Shares in the marketplace, failure to meet analysts' expectations, changes in quarterly revenue or earnings estimates made by the investment community, speculation in the press or investment community about SpinCo's strategic position, results of operations, business or significant transactions and general conditions in the mining industry or the worldwide economy. In addition, wide price swings are currently common in the markets on which SpinCo's securities trade. This volatility may

adversely affect the prices of SpinCo Shares regardless of SpinCo's operating performance. The market price of SpinCo Shares may experience significant fluctuations in the future, including fluctuations that are unrelated to SpinCo's performance. Securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. SpinCo may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

No Assurance of Listing of SpinCo Shares

The SpinCo Shares are not currently listed on any stock exchange. Although an application has been made to the TSX for listing of the SpinCo Shares on the TSX, there is no assurance when, or if, the SpinCo Shares will be listed on the TSX or on any other stock exchange. Until the SpinCo Shares are listed on a stock exchange, shareholders of SpinCo may not be able to sell their SpinCo Shares. Even if a listing is obtained, ownership of SpinCo Shares will entail a high degree of risk.

Lack of Funding to Satisfy Contractual Obligations

SpinCo may in the future enter into partnerships or joint ventures in order to fully exploit the exploration and production potential of its exploration assets. SpinCo may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and SpinCo may have its property interests subject to such agreements reduced as a result or even face termination of such agreements.

Stock dilution

Issuance of a substantial number of SpinCo Shares by SpinCo, for example, in connection with a potential acquisition or to raise additional capital for operations, or to reduce indebtedness, or pursuant to existing agreements, or the availability of a large number of SpinCo Shares that may be available for sale, could adversely affect the prevailing market prices for the outstanding SpinCo Shares. A decline in the market price of the outstanding SpinCo Shares could impair SpinCo's ability to raise additional capital through the issuance of securities should SpinCo desire to do so.

Credit and capital markets

SpinCo may require funds for exploration and development of SpinCo's Properties and continuing exploration projects that may require substantial capital expenditures. In addition, a portion of SpinCo's activities may be directed to the search and exploration for new mineral deposits and their development. The availability of this capital is subject to general economic conditions and lender and investor interest in SpinCo and its projects. SpinCo may be required to seek a continuation of the current financial arrangements with its lenders and/or seek additional financing to maintain its capital expenditures at planned levels. Financing may not be available when needed or, if available, may not be available on terms acceptable to SpinCo or SpinCo may be unable to find a partner for financing. Failure to obtain any financing necessary for SpinCo's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production on any or all of SpinCo's Properties. In addition, there can be no certainty that SpinCo may be able to renew or replace its current credit facility or debt financing on similar or favourable terms to SpinCo prior to, or upon, its maturity.

Dividends

SpinCo has no current plans to pay dividends on its SpinCo Shares. In the future, the SpinCo Board may declare dividends according to its assessment of the financial position of SpinCo, taking into account its financing requirements for future growth and other factors that the SpinCo Board may deem relevant in the circumstances.

Indemnified Liability Risk

Pursuant to the Arrangement Agreement, SpinCo has covenanted and agreed that, following the Effective Time, it will indemnify each Indemnified Party from all losses suffered or incurred by an Indemnified Party as a result of or arising directly or indirectly out of or in connection with any Indemnified Liability (as such term is defined in the Arrangement Agreement), which includes:

- (a) a liability or obligation (other than any liability or obligation for Taxes) that, following the Effective Time, (i) Monarch is legally or contractually obliged to pay but which was incurred or accrued prior to the Effective Time in respect (but only in respect) of the SpinCo Assets (including the operations or activities in connection therewith);
- (b) any liability or obligation for Tax which is payable to any Governmental Authority arising from, or in

connection with: (i) the transaction contemplated under the SpinCo Conveyance Agreement, including the transfer of the SpinCo Assets to, or the assumption of the SpinCo Liabilities by, SpinCo or any subsidiary of SpinCo on or prior to the Effective Date; (ii) any transfer or distribution of the SpinCo Assets that is completed in connection with the transaction referred to in (i) above; or

- (c) any liability or obligation for Tax, which is payable but not yet paid or reflected in the reserves in the Monarch Annual Financial Statements, to any Governmental Authority and is imposed on, or is in respect of, the SpinCo Assets and/or the SpinCo Liabilities, for or in respect of any taxable period (or portion thereof) ending on or prior to the Effective Date, in each case, only to the extent that such Tax is payable after Monarch has claimed the maximum amount of all credits, deductions, and other amounts available to it (including any loss carry forwards) for its respective taxation year that includes the transfer of SpinCo Assets to SpinCo; or
- (d) any liability or obligation for Tax, which is payable but not yet paid or reflected in the reserves in the Monarch Annual Financial Statements, to any Governmental Authority in respect of the issuance of any “flow-through shares” (as defined in subsection 66(15) of the Tax Act) completed prior to the Effective Date.

SpinCo will remain liable under this indemnity for one year following the Effective Date, or until 30 days after the expiration of the relevant statutory limitation period in respect of claims for taxes. Because of SpinCo’s limited financial resources, any requirement to indemnify under these provisions could have a Material Adverse Effect on the ability of SpinCo to carry out its business plan.

Litigation

SpinCo could be subject to litigation arising in the normal course of business and may be involved in legal disputes or matters with other parties, including governments and their agencies, regulators and members of SpinCo’s own workforce, which may result in litigation. The causes of potential litigation cannot be known and may arise from, among other things, business activities, employment matters, including compensation issues, environmental, health and safety laws and regulations, tax matters, volatility in SpinCo’s stock price, failure to comply with disclosure obligations or labour disruptions at its mine sites. Regulatory and government agencies may initiate investigations relating to the enforcement of applicable laws or regulations and SpinCo may incur expenses in defending them and be subject to fines or penalties in case of any violation, and could face damage to its reputation in the case of recurring workplace incidents resulting in an injury or fatality for which SpinCo is found responsible. The results and costs of litigation and investigations cannot be predicted with certainty. If SpinCo is unable to resolve these disputes or matters favourably, this may have a material adverse impact on SpinCo’s financial performance, cash flows and results of operations.

Bankruptcy, liquidation or reorganization

In the event of a bankruptcy, liquidation or reorganization of SpinCo, holders of certain of its indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of SpinCo before any assets are made available for distribution to the shareholders. The SpinCo Shares will be effectively subordinated to most of the other indebtedness and liabilities of SpinCo.

Taxes and tax audits

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

SpinCo is subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest and penalties, which would negatively affect SpinCo’s financial condition and operating results. Changes in tax rules and regulations or in the interpretation of tax rules and regulations by the courts or the tax authorities may also have a substantial negative impact on SpinCo’s business.

Going concern and insolvency

SpinCo's financial statements will be prepared on a going concern basis, which assumes that SpinCo will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

Conflicts of interest

Some of the directors and officers of SpinCo will be engaged as directors or officers of other corporations involved in the exploration and development of mineral resources. Such engagement could result in conflicts of interest. Any decision taken by these directors and officers and involving SpinCo will be in conformity with their duties and obligations to act fairly and in good faith with SpinCo and these other corporations. Moreover, these directors and officers will declare their interests and refrain from voting on any issue which could give rise to a conflict of interest.

Shareholder activism

Recently, there has been increased shareholder activism in the mining industry. Should an activist shareholder engage with SpinCo, it could cause disruption to its strategy, operations and leadership organization, resulting in a material unfavourable impact on the financial performance and longer-term value creation strategy of SpinCo.

Inadequate controls over financial reporting

NI 52-109 requires an annual assessment by management of the effectiveness of SpinCo's internal control over financial reporting. SpinCo's failure to satisfy the requirements of NI 52-109 on an ongoing and timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm SpinCo's business and negatively impact the trading price of its SpinCo Shares or market value of its other securities. In addition, any failure to implement required new or improved control(s), or difficulties encountered in their implementation could harm SpinCo's operating results or cause it to fail to meet its reporting obligations. No evaluation can provide complete assurance that SpinCo's internal control over financial reporting will detect or uncover all failures of persons within SpinCo to disclose material information required to be reported. Accordingly, SpinCo's management does not expect that its internal control over financial reporting will prevent or detect all errors and all fraud. In addition, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that SpinCo continue to improve its internal control over financial reporting.

Public company obligations

As a publicly traded company, listed on the TSX or a recognised stock exchange, SpinCo will be subject to numerous laws, including, without limitation, corporate, securities and environmental laws, compliance with which is both very time consuming and costly. The failure to comply with any of these laws, individually or in the aggregate, could have a Material Adverse Effect on SpinCo, which could cause a significant decline in SpinCo's stock price.

Furthermore, laws applicable to SpinCo constantly change and SpinCo's continued compliance with changing requirements is both very time consuming and costly. SpinCo's continued efforts to comply with numerous changing laws and adhere to a high standard of corporate governance will increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Sensitivity to general economic conditions

SpinCo's business will be influenced by a variety of economic and business conditions (including inflation, interest rates, exchange rates and access to debt and capital markets), as well as by monetary and regulatory policies. Deterioration in economic conditions increase in interest rates or a decrease in consumer demand and/or a decrease in investment demand, could have an adverse impact on SpinCo's financial performance and condition, cash flows and growth prospects.

COVID-19

SpinCo may be impacted by risks related to COVID-19, which could significantly disrupt its operations and may have a material and adverse effect on its business and financial conditions.

In December 2019, a new strain of coronavirus emerged in China and the virus has now spread to several other countries, including Canada and the United States, and infections have been reported worldwide, resulting in a global pandemic. The extent to which COVID-19 will affect SpinCo's business, including its operations and the market for its securities, will depend on developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the epidemic and the measures taken to contain or treat the coronavirus epidemic. Consequently, the continued

spread of COVID-19 worldwide could have a significant and adverse impact on SpinCo's business, including employee's health, labour productivity, flow-through share obligations, increased insurance premiums, availability of experts and industry personnel, restrictions on its drilling program and/or schedule for the processing of drill holes and other metallurgical tests and other factors that will depend on future developments beyond SpinCo's control, which could have a material and adverse effect on its business, financial condition and results of operations.

There can be no assurance that SpinCo's personnel will be affected by these pandemic diseases and ultimately experience reduced labour productivity or incur increased medical expenses/insurance premiums as a result of these health risks. In addition, there can be no assurance that the funds set aside for exploration and evaluation from the flow-through share issuances will be used by SpinCo to make qualified expenditures in accordance with the *Income Tax Act* (Canada) and the *Taxation Act* (Québec) within the required timeframe if the COVID-19 pandemic continues and/or the Government of Québec orders the suspension of SpinCo's operations.

In addition, a significant outbreak of COVID-19 could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic slowdown that could adversely affect the demand for precious metals and SpinCo's future prospects.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

Certain directors and officers of Monarch have certain interests in connection with the Arrangement. See "*The Arrangement – Interests of Certain Persons in the Arrangement – Executive Officers*" of the Circular.

Since SpinCo's incorporation, no director, executive officer, or SpinCo Shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding SpinCo Shares, or any known associates or affiliates or such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect SpinCo other than Monarch in connection with SpinCo's incorporation (see in this Appendix F, "*Corporate Structure and History*"), the entering into of the Arrangement Agreement (see in the Circular, "*The Arrangement*"), and the transfer of the SpinCo Assets to SpinCo in connection with the Arrangement (see in this Appendix F, "*Description of the Business*"). See also in this Appendix F, "*Material Contracts*" below.

The proposed directors and officers of SpinCo are also currently directors and officers of Monarch. See in the Circular "*The Arrangement*".

MATERIAL CONTRACTS

The only material Contract entered into by SpinCo, other than in the ordinary course of business, since the date of incorporation of SpinCo or to be entered into in connection with the Arrangement is the SpinCo Conveyance Agreement (see in this Appendix F, "*Description of the Business – Acquisition of the SpinCo Assets*").

A copy of the SpinCo Conveyance Agreement will be available for inspection by Monarch Shareholders at the registered office of Monarch at 68, Avenue de la Gare, Suite 205, Québec, Québec, J0R 1R0 during normal business hours prior to the Meeting. Following completion of the Arrangement, the SpinCo Conveyance Agreement will be filed electronically with regulators by SpinCo and will be available for public viewing under SpinCo's profile on SEDAR at www.sedar.com.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of SpinCo are KPMG LLP, Chartered Professional Accountants, 600 de Maisonneuve Blvd., West, Suite 1500, Montreal, Quebec, H3A 0A3. The registrar and transfer agent of SpinCo is expected to be Computershare Investor Services Inc. at its principal office in the city of Toronto, Ontario.

LEGAL MATTERS

There are no legal proceedings or regulatory actions involving SpinCo or its properties as at the date of the Circular, and SpinCo knows of no such proceedings or actions currently contemplated.

INTERESTS OF EXPERTS

Carl Pelletier, P. Geo., Laurent Roy, Eng., Catherine Jalbert, P. Geo. and Guillaume Noël, Eng., each of them from InnovExplo (Val-d'Or, Québec), Geneviève Auger, Eng. from InnovExplo (Longueuil, Québec) and Gail Amyot, Eng. from InnovExplo (Québec, Québec) have acted as "qualified persons" within the meaning of NI 43-101 on the Beaufor Technical Report related to the Beaufor Property contained in this Appendix F. To SpinCo's knowledge, each of the foregoing firms or persons beneficially owns, directly or indirectly, less than 1% of the issued and outstanding Monarch Shares.

The technical and scientific information contained in this Appendix F, including in respect of the Beaufor Mine, was reviewed and approved in accordance with NI 43-101 by Marc-André Lavergne, P.Eng., Vice President, Operations and Community Relations of Monarch and a "Qualified Person" as defined in NI 43-101. To SpinCo's knowledge, Mr. Lavergne beneficially owns, directly or indirectly, less than 1% of (i) the issued and outstanding Monarch Shares; and (ii) the issued and outstanding SpinCo Shares.

As of the date of the Circular, KPMG LLP are the auditors of SpinCo and they are independent with respect to SpinCo within the meaning of the relevant rules and related interpretations prescribed by the relevant bodies in Canada. All tax related matters relating to the Arrangement have been passed upon by KPMG LLP.

Except for tax related matters, certain other legal matters relating to the Arrangement are to be passed upon Stein Monast LLP on behalf of SpinCo. Based on security holdings as of the date of the Circular, the partners and associates of Stein Monast LLP will hold less than 1% of the SpinCo Shares on the Effective Date.

Other than as described above, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of SpinCo or of any associate or affiliate of SpinCo.

PROMOTER

Monarch, the sole shareholder of SpinCo as at the date of this Circular, may be considered to be a promoter of SpinCo within the meaning of relevant Canadian securities legislation. As of the date hereof, Monarch beneficially owns or exercises control or direction over one SpinCo Share, comprising 100% of all issued and outstanding SpinCo Shares as of the date hereof. Following completion of the Arrangement, the Initial SpinCo Share held by Monarch will be cancelled without any payment therefor and Monarch will be removed from the register of holders of SpinCo Shares. See in this Appendix F, "*Principal Shareholders of SpinCo*".

SCHEDULE I
SPINCO'S COMBINED CARVE-OUT FINANCIAL STATEMENTS

See attached.

COMBINED CARVE-OUT FINANCIAL STATEMENTS

MONARCH MINING SPINCO
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SAINT-SAUVEUR (QUÉBEC) J0R 1R0
TEL. : 1-888-994-4465



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Monarch Gold Corporation

Opinion

We have audited the combined carve-out financial statements of Monarch Mining SpinCo (the "Entity"), which comprise:

- the combined carve-out statements of financial position as at June 30, 2020, June 30, 2019, June 30, 2018 and July 1, 2017
- the combined carve-out statements of earnings (loss) and other comprehensive earnings (loss) for the years ended June 30, 2020, June 30, 2019 and June 30, 2018
- the combined carve-out statements of changes in owner's invested equity for the years ended June 30, 2020, June 30, 2019 and June 30, 2018
- the combined carve-out statements of cash flows for the years ended June 30, 2020, June 30, 2019 and June 30, 2018
- and notes to the combined carve-out 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 financial position of the Entity as at June 30, 2020, 2019, 2018 and July 1, 2017, and its financial performance and its cash flows for the years ended June 30, 2020, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for 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 Entity 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.

Emphasis of Matter - Basis of Preparation

We draw attention to Note 2 b) to the financial statements which describes the basis of preparation used in these financial statements and the purpose of the financial statements.

Our opinion is not modified in respect of this matter.



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Other Information

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

- the information included in Management's Discussion and Analysis.

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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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.



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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 Entity'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 Entity'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 Entity 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.

Montréal, Canada

November 23, 2020

*CPA auditor, CA, public accountancy permit No. A122264

MONARCH MINING SPINCO
COMBINED CARVE-OUT STATEMENTS OF FINANCIAL POSITION

		SEPTEMBER 30, 2020	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JULY 1, 2017
	NOTES	(UNAUDITED)				
		\$	\$	\$	\$	\$
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents		283,813	209,472	246,712	1,896,863	560,695
Commodity taxes and other receivables		2,122,006	240,032	439,525	916,153	244,021
Balance of sale	5	2,000,000	2,000,000	–	–	–
Inventory	4	1,192,204	1,193,864	2,272,430	2,638,168	–
Prepaid expenses and deposits		323,435	381,484	424,213	324,861	108,678
		5,921,458	4,024,852	3,382,880	5,776,045	913,394
NON-CURRENT ASSETS						
In trust deposits	10	1,281,929	2,556,236	2,538,871	3,014,876	2,221,535
Property, plant and equipment	5	13,282,108	13,232,676	12,782,569	12,702,442	7,423,734
Mining properties	6	8,903,262	8,562,203	7,666,512	7,108,262	2,843,889
Exploration and evaluation assets	7	14,319,089	14,158,758	13,089,825	8,014,920	4,784,002
		37,786,388	38,509,873	36,077,777	30,840,500	17,273,160
		43,707,846	42,534,725	39,460,657	36,616,545	18,186,554
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables		2,665,522	2,788,544	3,051,979	6,637,520	459,770
Current portion of long-term debt	8	832,371	3,747,573	784,257	2,066,647	241,818
Contract liabilities		–	–	–	1,247,200	–
		3,497,893	6,536,117	3,836,236	9,951,367	701,588
NON-CURRENT LIABILITIES						
Long-term debt	8	889,767	2,255,135	5,812,483	5,852,507	3,232,982
Deferred grant		–	–	–	179,328	394,781
Royalty buy-back option	9	1,387,642	1,343,792	–	–	–
Deferred income taxes and mining taxes	21	2,292,929	2,267,276	2,096,247	1,284,262	872,857
Asset retirement obligations	10	4,846,396	4,691,655	4,629,891	4,134,683	2,734,993
		9,416,734	10,557,858	12,538,621	11,450,780	7,235,613
Total liabilities		12,914,627	17,093,975	16,374,857	21,402,147	7,937,201
EQUITY						
Owner's net investment		30,793,219	25,440,750	23,085,800	15,214,398	10,249,353
		43,707,846	42,534,725	39,460,657	36,616,545	18,186,554

The accompanying notes are an integral part of the combined carve-out financial statements

On behalf of the Board:

'Jean-Marc Lacoste', Director

'Michel Bouchard', Director

MONARCH MINING SPINCO

COMBINED CARVE-OUT STATEMENTS OF NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME

		QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	NOTES	(UNAUDITED)	(UNAUDITED)			
		\$	\$	\$	\$	\$
Revenue	14	–	3,160,155	6,655,313	20,768,083	23,913,567
Cost of sales	15	–	1,791,234	3,675,682	19,389,065	24,788,510
Gross margin		–	1,368,921	2,979,631	1,379,018	(874,943)
Administration	16	466,477	549,695	1,820,841	3,781,486	3,383,205
Care and maintenance	17	324,933	596,069	2,332,816	312,114	–
Exploration		1,091,599	–	99,042	–	1,098,900
Operating (loss) earnings		(1,883,009)	223,157	(1,273,068)	(2,714,582)	(5,357,048)
Finance income		68,050	1,919	6,451	7,470	6,591
Finance expense	18	(137,099)	(161,423)	(338,663)	(23,036)	(94,201)
Gain (loss) on foreign exchange		176,027	(50,128)	(137,023)	(5,136)	28,250
Gain on disposal	5	11,890	–	3,647,356	–	–
Other income related to flow-through shares		44,285	79,076	370,514	1,717,668	1,034,825
(Loss) earnings before taxes		(1,719,856)	92,601	2,275,567	(1,017,616)	(4,381,583)
Current mining taxes	21	–	25,905	68,000	171,107	194,517
Deferred mining taxes	21	25,653	39,805	171,029	811,985	963,421
		25,653	65,710	239,029	983,092	1,157,938
Net (loss) earnings and comprehensive (loss) income		(1,745,509)	26,891	2,036,538	(2,000,708)	(5,539,521)

The accompanying notes are an integral part of the combined carve-out financial statements

MONARCH MINING SPINCO

COMBINED CARVE-OUT STATEMENTS OF CHANGES IN OWNER'S INVESTED EQUITY

	NET EARNINGS (LOSS)	FUNDING BY MONARCH GOLD CORPORATION	OWNER'S NET INVESTMENT
	\$	\$	\$
Balance as at July 1, 2017	–	10,249,353	10,249,353
Movement in funding	–	10,379,716	10,379,716
Share-based payments	–	124,850	124,850
Net loss and comprehensive loss	(5,539,521)	–	(5,539,521)
Balance as at June 30, 2018	(5,539,521)	20,753,919	15,214,398
Movement in funding	–	9,664,522	9,664,522
Share-based payments	–	207,588	207,588
Net loss and comprehensive loss	(2,000,708)	–	(2,000,708)
Balance as at June 30, 2019	(7,540,229)	30,626,029	23,085,800
Movement in funding	–	139,080	139,080
Share-based payments	–	179,332	179,332
Net earnings and comprehensive income	2,036,538	–	2,036,538
Balance as at June 30, 2020	(5,503,691)	30,944,441	25,440,750
Movement in funding	–	7,015,246	7,015,246
Share-based payments	–	82,732	82,732
Net loss and comprehensive loss	(1,745,509)	–	(1,745,509)
Balance as at September 30, 2020 (unaudited)	(7,249,200)	38,042,419	30,793,219

The accompanying notes are an integral part of the combined carve-out financial statements

MONARCH MINING SPINCO
COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS

		QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	NOTES	(UNAUDITED)	(UNAUDITED)			
		\$	\$	\$	\$	\$
Operating activities						
Net (loss) earnings for the period		(1,745,509)	26,891	2,036,538	(2,000,708)	(5,539,521)
Adjustments for:						
Change in contract liabilities		–	–	–	(1,247,200)	(3,741,600)
Depreciation	7	20,539	19,319	62,072	910,672	1,303,985
Share-based compensation	11	82,732	68,604	179,332	207,588	124,850
Accretion expense related to the buy-back option	9	43,850	–	28,460	–	–
Accretion expense on asset retirement obligations	10	15,381	15,380	61,764	76,512	55,556
Interest on lease liabilities	8	1,663	2,319	16,881	39,115	46,762
Financial expense		–	–	130,829	–	–
Other income related to flow-through shares		(44,285)	(79,076)	(370,514)	(1,717,668)	(1,034,825)
Unrealized loss (gain) on foreign exchange	8	(154,612)	49,125	170,899	(31,148)	61,080
Other income	5	–	–	(3,647,356)	–	–
Cost of modifying the terms of a balance of purchase price	8	–	–	–	191,379	–
Current and deferred mining taxes	21	25,653	65,710	239,029	983,092	1,157,938
Change in non-cash operating working capital	19	(1,916,995)	(734,065)	194,851	(2,612,402)	3,469,233
		(3,671,583)	(565,793)	(897,215)	(5,200,768)	(4,096,542)
Financing activities						
Change in net investment from Monarch		7,059,531	955,292	(201,906)	11,211,083	7,673,553
Proceeds from contract liabilities		–	–	–	–	4,988,800
Repayment of balance of purchase price	8	(4,143,637)	–	(400,000)	(1,724,832)	–
Repayment of lease liabilities	8	(24,883)	(114,125)	(384,257)	(466,484)	(357,528)
		2,891,011	841,167	(986,163)	9,019,767	12,304,825
Investing activities						
Receipt (payment) of in trust deposits	10	1,274,307	–	(17,365)	476,005	(793,341)
Acquisition of property, plant and equipment	5	–	(33,230)	(125,590)	(82,625)	(3,427,366)
Disposition of property, plant and equipment		–	–	–	409,108	4,800
Acquisition of mining properties	6	(160,800)	–	(78,980)	(282,233)	(966,384)
Cash received from a business acquisition		–	–	–	–	961,787
Disposal of royalties	5	–	–	3,000,000	–	–
Additions to exploration and evaluation assets	7	(258,594)	(225,960)	(931,927)	(5,989,405)	(2,651,611)
		854,913	(259,190)	1,846,138	(5,469,150)	(6,872,115)
Increase (decrease) in cash and cash equivalents		74,341	16,184	(37,240)	(1,650,151)	1,336,168
Cash and cash equivalents, beginning of period		209,472	246,712	246,712	1,896,863	560,695
Cash and cash equivalents, end of period		283,813	262,896	209,472	246,712	1,896,863

Other cash flow information (Note 19).

The accompanying notes are an integral part of the combined carve-out financial statements.

MONARCH MINING SPINCO
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND YEARS ENDED JUNE 30, 2020, 2019
AND 2018

1. NATURE OF OPERATIONS AND INTRODUCTION TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS

The Combined Carve-out Financial Statements of Monarch Mining SpinCo (“SpinCo” or the “Entity”) are being prepared as part of a proposed plan of arrangement (the “Arrangement”) involving Monarch Gold Corporation (“Monarch”) and Yamana Gold Inc. (“Yamana”) pursuant to which Yamana will ultimately acquire the Wasamac property and the Camflo property and mill through the acquisition of all of the outstanding shares of Monarch.

Monarch, 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 address of the Monarch’s head office is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec, Canada J0R 1R0 and its website is www.monarquesgold.com.

Under the Arrangement, Monarch will first complete a spin-out to its shareholders, through a newly formed company, Monarch Mining Corporation, that will hold the assets and liabilities that will not be sold to Yamana, and which will comprise the following:

- i. The Beaufor mine, the McKenzie Break property, the Croinor Gold property, the Swanson property and the Beacon Gold mill and property and all assets and liabilities related to these properties (collectively the “Transferred Assets”); and
- ii. A net cash amount of \$14 million.

Accordingly, these Combined Carve-out Financial Statements of SpinCo comprise the activities of the Transferred Assets. SpinCo historically did not exist as a separate legal and reporting group and no separate financial statements were therefore prepared.

The Entity has historically incurred operating losses and cash outflows related to the operation, exploration and development of its properties. To date, the Entity has financed its activities mainly through funding provided by Monarch. The Entity's ability to ultimately achieve operating income in the future depends on the ability to develop its mining properties and achieve commercial production, and on its ability to raise additional funding to finance its operations.

The Entity believes that it has sufficient liquidity to meet its obligations over the next 12 months with the support of Monarch. In addition, under the Arrangement, the Entity will have net cash of \$14 million at closing. Also, after closing of the Arrangement, the Entity's business plan anticipates raising additional funds in the near-term to pursue the development of its projects. There can be no assurance that the Entity 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 Entity or that they will be available on terms acceptable to the Entity.

In June 2019, the Entity temporarily suspended the operations of the Beaufor mine, which was placed in care and maintenance.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT

A) STATEMENT OF COMPLIANCE

The Combined Carve-out Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Combined Carve-out Financial Statements for the three months ended September 30, 2020 and 2019 and for the years ended June 2020, June 2019 and June 2018 have been derived from the consolidated financial statements of Monarch, which have also been prepared in accordance with IFRS as adopted by the International Accounting Standards Board (“IASB”).

As SpinCo has not previously prepared stand-alone financial statements, these Combined Carve-out Financial Statements are the first IFRS financial statements of SpinCo in which IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied. IFRS 1 sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. SpinCo’s date of transition to IFRS is July 1, 2017 (the “Transition Date”). As a first-time adopter, SpinCo has applied the following exemption:

Leases (IFRS 1.D9-D9E)

- Assessed whether a contract existing at Transition Date contains a lease on the basis of facts and circumstances existing at Transition Date;
- The Entity measured its lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the Transition Date;
- Measured a right-of-use asset at the Transition Date an amount equal to the lease liability; and
- Applied IAS 36 to right-of-use assets at the Transition Date.

Since SpinCo did not previously prepare Combined Carve-out Financial Statements, it does not have any previous GAAP for purposes of the Combined Carve-out Financial Statements, and therefore SpinCo is not required to present reconciliations as per IFRS 1.

The accounting policies applied in these Combined Carve-out Financial Statements are based on IFRS issued and in effect at the reporting date. On November 23, 2020, the Board of Directors of Monarch approved the Combined Carve-out Financial Statements.

B) BASIS OF PREPARATION AND MEASUREMENT

The Combined Carve-out Financial Statements have been prepared on a “combined carve-out basis” from the Monarch consolidated financial statements for the purpose of presenting the historical financial position, financial performance and cash flows of SpinCo on a stand-alone basis. The accounting policies applied in the Combined Carve-out Financial Statements are, to the extent applicable, consistent with accounting policies applied in the Monarch consolidated financial statements, and as a result, reflect the carrying amounts that are included in Monarch’s consolidated financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

B) BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

In determining the perimeter of the Combined Carve-out Financial Statements, the activities related to the Transferred Assets were considered to include the operations of SpinCo carried out through Monarch directly as well as through legal entities of Monarch that were dedicated to SpinCo:

Legal entities related to SpinCo

- X-Ore Resources Inc. (which includes Croinor Gold Property)
- Beacon Gold mill Inc.
- Louvem Mines Inc.
- 11306448 Canada Inc. (collectively the “SpinCo Entities”)

Monarch operations related to SpinCo

- Swanson Mining Property
- McKenzie Break Mining Property
- Beaufor Mine (collectively the “SpinCo Operations”)

In the Combined Carve-out Financial Statements of SpinCo, all intercompany balances and transactions between the SpinCo Entities and the SpinCo Operations have been eliminated. The transactions and balances with the remaining Monarch operations that are not part of these Combined Carve-out financial statements have not been eliminated. For details of such transactions refer to Note 20 – Related party transactions.

The Combined Carve-out Financial Statements have been prepared on a historical basis except for share-based compensation which are measured in accordance with IFRS 2, *Share-Based Payment*.

The Combined Carve-out Financial Statements present the assets, liabilities, revenue, expenses and cash flows attributable to SpinCo for the three months ended September 30, 2020 and 2019 and for the years ended June 2020, June 2019 and June 2018, and include allocations of certain transactions and balances.

Management believes the allocation assumptions applied in the Combined Carve-out Financial Statements to be a reasonable reflection of the utilization of services provided by Monarch. However, different allocation assumptions could have resulted in different outcomes. The allocations are therefore not necessarily representative of the financial position, financial performance or cash flows that would have been reported if SpinCo operated on its own or as an entity independent from Monarch during the periods presented.

Management believes the basis of preparation described above results in the Combined Carve-out Financial Statements reflecting the assets and liabilities associated with the proposed spin-out of the Transferred Assets and reflects costs associated with the functions that would be necessary to operate independently. However, as SpinCo did not operate as a stand-alone entity during the periods presented, the Combined Carve-out Financial Statements may not be indicative of SpinCo’s future performance.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

B) BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

Corporate Expenses

Management has allocated expenses for certain corporate functions including costs related to executive oversight, finance and accounting, treasury, tax, legal, procurement, human resources and other central support services. SpinCo received services and support functions from Monarch. SpinCo operations were dependent upon Monarch's ability to perform these services and support functions. Estimated corporate expenses related to SpinCo operations were allocated based on estimated activity levels compared to Monarch's consolidated financial statements. The expenses allocated are not necessarily indicative of the expenses that would have been incurred if SpinCo had performed the functions as a stand-alone entity, nor are they indicative of expenses that will be incurred in the future.

Flow-through shares

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. Monarch finances a portion of its exploration programs with flow-through shares. When tax deductions are renounced, the entity 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, with a corresponding increase to income.

Management has allocated income related to flow-through shares based on exploration and evaluation expenses incurred on each mining properties. This income is not necessarily indicative of the income that would have been incurred if SpinCo had issued flow-through shares as a stand-alone entity, nor is it indicative of income that will be earned in the future.

Share-Based Payments

Certain employees, officers, directors and consultants of Monarch performing services for SpinCo received share options to purchase Monarch common shares. The Combined Carve-out Financial Statements includes an allocation of expenses associated with share-based payments related to the performance of these services in SpinCo. These costs related to SpinCo operations have been allocated based on estimated activity levels compared to Monarch's consolidated financial statements.

Income Taxes

For the purpose of the Combined Carve-out Financial Statements, income taxes are computed and reported using the stand-alone tax return method. The resulting deferred tax assets and liabilities are accounted for using the asset and liability approach. This involves estimating actual current tax exposures and assessing temporary and permanent differences resulting from differing treatment of items, such as reserves and accruals, for tax and accounting purposes.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

B) BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

Management considers the stand-alone tax return method to be reasonable, but it does not necessarily lead to the tax result that would have been incurred if the SpinCo Entities and SpinCo Operations were stand-alone taxable entities. The stand-alone taxable entities assumption implies that current and deferred taxes of the SpinCo Entities and SpinCo Operations are calculated separately and any resulting deferred tax assets are evaluated for utilization following this assumption.

Owner's Net Investment and Funding Structure

Monarch utilizes a central approach for the funding of its operations. As a contractual obligation to deliver cash or other financial assets in relation to the funding to or from other Monarch entities did not exist during the historical periods presented and the balances will not be settled with SpinCo's own equity instruments, all balances with Monarch are presented as Owner's net investment in the Combined Carve-out Financial Statements.

Amounts for cash and debt are reflected in the Combined Carve-out Financial Statements only for the activities of SpinCo that operated or existed in separate dedicated SpinCo entities, during the period of the Combined Carve-out Financial Statements. For all other activities, cash and debt balances with Monarch have been presented as part of Owner's net investment. The funding structure is therefore not necessarily representative of the financing that would have been reported if SpinCo operated on its own or as an entity independent from Monarch during the periods presented, nor is it indicative of the financing that may arise in the future.

Earnings Per Share

The information on earnings per share for SpinCo pursuant to IAS 33 has not been presented as the combined entities do not form a group and, as such, SpinCo has no historical capital structure.

C) FUNCTIONAL AND PRESENTATION CURRENCY

These Combined Carve-out Financial Statements are presented in Canadian dollars, which is the Entity's functional currency.

D) OPERATING SEGMENTS

The Entity operates in one operating segment, the exploitation and exploration of mining properties. All of the Company's assets are located in Quebec, Canada.

E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the Combined Carve-out Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

E) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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.

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 Entity'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 Entity'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 Entity'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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

E) 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

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.

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 exercised 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 Entity 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

E) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

v) Basis of allocation

Estimates made in relation to the allocation of assets, liabilities, revenue and expenses share with other Monarch's activities

The nature of the Combined Carve-out Financial Statements requires management to make estimates of a reasonable allocation for assets, liabilities, revenue and expenses shared with other Monarch activities. These allocations were performed in a manner deemed reasonable by management and are explained above in Note 2 B). Different allocation assumptions could have resulted in different outcomes.

The basis of allocation is therefore not necessarily representative of the assets, liabilities, revenue or expenses that would have been reported if SpinCo operated on its own or as an entity independent from Monarch during the periods presented, nor is it indicative of the assets, liabilities, revenue or expenses that may arise in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these Combined Carve-out Financial Statements, unless otherwise indicated.

A) FOREIGN CURRENCY TRANSLATION

These Combined Carve-out Financial Statements are presented in Canadian dollars, which is the functional currency of the Entity and all SpinCo Entities and SpinCo Operations. The functional currency has remained unchanged during the reporting periods. 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 (loss) and comprehensive income (loss) 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.

B) REVENUE RECOGNITION

Revenue consists of sales of precious metals (gold and silver).

Precious metals revenue is recorded based on the contract or spot price and is recorded when the goods are physically delivered. At this point in time, the Entity carries out its performance obligation by transferring control of the metals to its clients. Revenue from gold and silver sales is recorded based on the contract price.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) MINING PROPERTIES AND DEVELOPMENT COSTS

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

At the time of the exploration phase, the Entity 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. 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 Entity 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 Entity has met the following conditions:

- Obtaining a technical feasibility and commercial viability study
- Decision of the Entity 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 of Monarch, the project enters the development phase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) MINING PROPERTIES AND DEVELOPMENT COSTS (CONTINUED)

Beginning of the commercial production phase

The Entity 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 Entity 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 Entity. Otherwise, these expenses are classified as exploration expenses in the combined carve-out statement of net earnings (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 Entity 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.

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

The Entity provides post-employment benefits through a defined benefit plan under which the Entity makes defined contributions based on a percentage of the employees' salary to an independent entity. The Entity has no legal or constructive obligation to make contributions in addition to the defined contributions. The Entity 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 Entity expects to pay due to unused entitlement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) 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.

F) 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 is depreciated using the units-of-production method. 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 within 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 other 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, depreciation 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 methods 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) 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 are recognized separately in the combined carve-out 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.

G) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Entity 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 Entity 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 combined carve-out statement of financial position 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 Entity has classified its financial instruments into the following categories based on their purpose for which they were acquired and their characteristics.

The Entity has classified its financial instruments as follows:

CATEGORY	FINANCIAL INSTRUMENT
Financial assets at amortized cost.....	<ul style="list-style-type: none"> ➤ Cash and cash equivalents ➤ Receivables ➤ Balance of sale ➤ In trust deposits
Financial liabilities at amortized cost	<ul style="list-style-type: none"> ➤ Trade and other payables ➤ Balance of purchase price payable ➤ Long-term debt ➤ Royalty buy-back option

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) FINANCIAL INSTRUMENTS (CONTINUED)

Impairment

The Entity 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 reporting date, this new impairment model is applied to financial assets measured at amortized cost or those measured at fair value through profit or loss, with the exception of investments in equity instruments and contractual assets.

Impairment losses, if incurred, would be recorded in the Entity's administration expenses in the combined carve-out statement of net earnings (loss) and comprehensive income (loss), 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 combined carve-out 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.

H) IMPAIRMENT

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) 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 Entity 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.

I) PROVISIONS

A provision is recognized if, as a result of a past event, the Entity 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.

J) SHARE-BASED PAYMENTS

Certain employees, officers, directors and consultants of Monarch performing services for SpinCo received share options to purchase Monarch common shares. The Combined Carve-out Financial Statements includes an allocation of expenses associated with share-based payments related to the performance of these services in SpinCo. The grant date fair value of share-based payment awards granted to employees, consultants and brokers related to SpinCo activities is recognized as an expense, with a corresponding increase in Owner's net investment within equity, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J) SHARE-BASED PAYMENTS (CONTINUED)

Share-based payment arrangements in which the Entity receives goods or services as consideration for Monarch's equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Entity. The Entity measures the goods or services received, and the direct corresponding increase in Owner's net investment within 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.

K) INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Entity 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 Entity'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.

The Entity 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 Entity 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 Entity 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.

M) LEASES

For leases after Transition Date

At inception of a contract, the Entity 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.

The Entity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) 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 Entity is reasonably certain to exercise that option. Lease terms, including options to renew for which the Entity 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 Entity's incremental borrowing rate. Generally, the Entity 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 Entity's estimate of the amount expected to be payable under a residual value guarantee, or when the Entity 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.

N) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the aggregate of the fair values, at the acquisition date, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Entity in exchange for control of the acquiree. Where appropriate, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value.

A business combination is defined in IFRS 3, Business Combinations, as a transaction in which an acquirer obtains control of a business, which is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors. For an integrated set of activities and assets to be considered as a business, the set must include inputs and processes.

O) 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.

MONARCH MINING SPINCO
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND YEARS ENDED JUNE 30, 2020, 2019
AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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

The amendments provide guidance on the recognition of the proceeds from the sale of items that a Entity 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.

4. INVENTORY

	SEPTEMBER 30, 2020 (UNAUDITED)	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JULY 1, 2017
	\$	\$	\$	\$	\$
Precious metals	–	–	954,135	589,100	–
Supplies	1,192,204	1,193,864	1,318,295	2,049,068	–
	1,192,204	1,193,864	2,272,430	2,638,168	–

For the three-month ended September 30, 2020 (unaudited) and the year ended June 30, 2020, a total of nil was recorded to adjust inventory to net realizable value (\$302,695 for the year ended June 30, 2019 and nil for the year ended June 30, 2018), which is included in cost of sales.

For the three-month ended September 30, 2020 (unaudited) and the year ended June 30, 2020, the Entity recognized nil and \$1,241,708, respectively in cost of sales (\$16,256,462 for the year ended June 30, 2019 and \$21,344,720 for the year ended June 30, 2018).

MONARCH MINING SPINCO
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND YEARS ENDED JUNE 30, 2020, 2019 AND 2018

5. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	POWER LINE			MINING ASSETS UNDER CONSTRUCTION ^(A)	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT	TOTAL
		RIGHTS-OF-USE	CONSTRUCTION ^(A)	UNDER CONSTRUCTION				
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance as at July 1, 2017	–	–	96,531	7,327,203	–	–	–	7,423,734
Business combination	–	–	–	–	1,000,000	2,000,000	–	3,000,000
Acquisitions	167,306	127,829	287,271	999,297	–	1,845,663	–	3,427,366
Disposal	–	–	–	(4,800)	–	–	–	(4,800)
Capitalized interest	–	–	–	336,295	–	–	–	336,295
Adjustments related to asset retirement obligations	–	–	–	39,285	–	–	–	39,285
Grant	–	–	(215,453)	–	–	–	–	(215,453)
Balance as at June 30, 2018	167,306	127,829	168,349	8,697,280	1,000,000	3,845,663	–	14,006,427
Acquisitions	11,663	–	17,392	4,172	–	–	–	33,227
Disposal	–	–	–	–	–	(409,108)	–	(409,108)
Capitalized interest	–	–	–	393,539	–	–	–	393,539
Adjustments related to asset retirement obligations	–	–	–	468,094	–	–	–	468,094
Cancellation of the grant ^(B)	–	–	505,047	–	–	–	–	505,047
Balance as at June 30, 2019	178,969	127,829	690,788	9,563,085	1,000,000	3,436,555	–	14,997,226
CUMULATIVE DEPRECIATION								
Balance as at July 1, 2017	–	–	–	–	–	–	–	–
Depreciation	23,343	25,566	–	–	204,451	1,050,625	–	1,303,985
Balance as at June 30, 2018	23,343	25,566	–	–	204,451	1,050,625	–	1,303,985
Depreciation	41,877	25,566	–	–	113,352	729,877	–	910,672
Balance as at June 30, 2019	65,220	51,132	–	–	317,803	1,780,502	–	2,214,657
NET CARRYING AMOUNT								
Balance as at June 30, 2018	143,963	102,263	168,349	8,697,280	795,549	2,795,038	–	12,702,442
Balance as at June 30, 2019	113,749	76,697	690,788	9,563,085	682,197	1,656,053	–	12,782,569

MONARCH MINING SPINCO
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND YEARS ENDED JUNE 30, 2020, 2019 AND 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	LEASEHOLD IMPROVEMENTS	RIGHTS-OF-USE	POWER LINE UNDER CONSTRUCTION (A)		MINING ASSETS UNDER CONSTRUCTION (A)	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT	TOTAL
			\$	\$				
COST								
Balance as at June 30, 2019	178,969	127,829	690,788	9,563,085	1,000,000	3,436,555	14,997,226	
Acquisitions	123,966	-	-	-	1,624	-	125,590	
Sale of a royalty	-	-	-	-	(37,312)	-	(37,312)	
Capitalized interest	-	-	-	423,901	-	-	423,901	
Balance as at June 30, 2020	302,935	127,829	690,788	9,986,986	964,312	3,436,555	15,509,405	
Capitalized interest	-	-	-	69,971	-	-	69,971	
Balance as at September 30, 2020 (Unaudited)	302,935	127,829	690,788	10,056,957	964,312	3,436,555	15,579,376	
CUMULATIVE DEPRECIATION								
Balance as at June 30, 2019	65,220	51,132	-	-	317,803	1,780,502	2,214,657	
Depreciation	48,735	13,337	-	-	-	-	62,072	
Balance as at June 30, 2020	113,955	64,469	-	-	317,803	1,780,502	2,276,729	
Depreciation	12,619	7,920	-	-	-	-	20,539	
Balance as at September 30, 2020 (Unaudited)	126,574	72,389	-	-	317,803	1,780,502	2,297,268	
NET CARRYING AMOUNT								
Balance as at June 30, 2020	188,980	63,360	690,788	9,986,986	646,509	1,656,053	13,232,676	
Balance as at September 30, 2020 (Unaudited)	176,361	55,440	690,788	10,056,957	646,509	1,656,053	13,282,108	

(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 Entity 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 Entity. As at June 30, 2019, the Entity has incurred capital expenditures totaling \$690,788. As a result, the Entity was unable to complete the project on schedule. 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 Entity, was recorded in trade and other payables.

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Beaufor property (Business combination)

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

In exchange, Monarch issued 34,633,203 shares having a market value of \$12,121,621 and agreed to transfer \$600,000 into a trust account for a 30-month period for future payment of severance payments for employees transferred upon the acquisition of Richmont's Quebec mining assets.

The transaction includes environmental obligations of \$1,246,382 for the Beaufor mine restoration plan, should this facility close in the future. Lastly, the Company will pay Richmont royalty on NSR of 1.0% for the Beaufor property after the Entity has produced 100,000 ounces of gold, following the closing of the Transaction.

The acquisition was accounted for as a business combination under IFRS 3. Of all the assets and liabilities acquired only the Beaufor mine and its related assets and liabilities relate to SpinCo and are included in these Combined Carve-out Financial Statements. Acquisition-related transaction costs in the amount of \$201,212 were expensed in the consolidated statement of net loss and comprehensive loss.

The following table shows the fair value of the assets acquired and liabilities assumed related to SpinCo which have been recorded against Owner's net investment,

	\$
Fair value of consideration paid:	
Common shares issued by Monarch (recorded in Owner's net investment)	4,106,095
Fair value of net assets acquired:	
Cash	961,301
Deferred income and mining taxes	552,016
Other current assets	3,928,401
Property, plant and equipment, including Beaufor mining property	3,000,000
Current liabilities	(2,029,485)
Asset retirement obligations	(1,246,382)
Contract liabilities	(1,059,756)
	4,106,095

For the year ended June 30, 2018, revenue from the business combination included in the statement of net earnings was \$23,913,567, and the net loss was \$3,242,785. If the acquisition had occurred on July 1, 2018, management estimates that the revenue would have been \$31,884,756 and the net loss for the year would have been \$4,323,713. In determining these amounts, management has assumed that the fair value adjustments at the acquisition date would have been the same if the acquisition had occurred on July 1, 2018.

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Beaufor property (sell of a net smelter return royalty)

On May 7, 2020, the Entity 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 is 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 Entity has repaid the capital invested by the CDPQ as royalty.

The Entity 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 Entity'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 Entity 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 carrying 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

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6. MINING PROPERTIES

PROPERTIES ^{(1) (2)}	JUNE 30, 2020	ACQUISITION	SEPTEMBER 30, 2020 (UNAUDITED)
	\$	\$	\$
Fayolle	42,488	–	42,488
McKenzie Break ⁽³⁾	3,760,086	201,899	3,961,985
Croinor Gold ⁽⁵⁾	2,873,889	139,160	3,013,049
Swanson ⁽³⁾	1,885,740	–	1,885,740
	8,562,203	341,059	8,903,262

PROPERTIES ^{(1) (2)}	JUNE 30, 2019	ACQUISITION	JUNE 30, 2020
	\$	\$	\$
Fayolle	–	42,488	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
	7,666,512	895,691	8,562,203

PROPERTIES ^{(1) (2)}	JUNE 30, 2018	ACQUISITION	JUNE 30, 2019
	\$	\$	\$
Croinor Gold	2,843,889	–	2,843,889
McKenzie Break ⁽³⁾⁽⁴⁾	2,558,624	447,843	3,006,467
Swanson ⁽³⁾	1,705,749	110,407	1,816,156
	7,108,262	558,250	7,666,512

PROPERTIES ^{(1) (2)}	JULY 1, 2017	ACQUISITION	JUNE 30, 2018
	\$	\$	\$
Croinor Gold	2,843,889	–	2,843,889
McKenzie Break ⁽³⁾⁽⁴⁾	–	2,558,624	2,558,624
Swanson ⁽³⁾	–	1,705,749	1,705,749
	2,843,889	4,264,373	7,108,262

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

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

⁽³⁾ An amount of \$40,899 was capitalized as an accretion expense during the three-month period ended September 30, 2020 and \$173,211 was capitalized as an accretion expense during the year ended June 30, 2020 (\$276,017 as at June 30, 2019 and \$160,195 as at June 30, 2018).

⁽⁴⁾ During the year ended June 30, 2019, an amount of \$282,233 was recorded as an adjustment to the asset retirement obligations.

⁽⁵⁾ During the three-month period ended September 30, 2020, an amount of \$139,160 was recorded as an adjustment to the asset retirement obligations.

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6. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2020:

McKenzie Break property

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

The following table shows the acquired assets:

	\$
Fair value of consideration paid:	
Common shares issued by Monarch (recorded in Owner's net investment)	643,500
Transaction costs	6,492
	649,992
Assets acquired:	
Mining properties	649,992

Croinor property

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

Fayolle property

During the year ended June 30, 2020, the Entity purchased a land lot for an amount of \$42,488.

Year ended June 30, 2018:

On December 21, 2017, the Entity entered into an agreement to acquire the McKenzie Break and Swanson properties from Agnico Eagle Mines Limited ("Agnico").

To acquire the McKenzie Break and Swanson properties, the Entity agreed to pay Agnico a total of \$4,600,000, of which \$1,600,000 will be payable in cash and \$3,000,000 payable in common shares of Monarch over a four-year period. The payments will be distributed as follows and are secured by two mining properties acquired in the transaction:

- on closing: \$600,000 in common shares of Monarch (representing 2,222,222 common shares upon issuance);
- on the first anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch;
- on the second anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch;
- on the third anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch; and
- on the fourth anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch.

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6. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2018: (continued)

Agnico will also receive a 1.5% net smelter return royalty for each property. Each royalty may be reduced to 1.0% in exchange for a payment of \$750,000.

Subsequently to this transaction, the Entity purchased a 1.5% net smelter return royalty for the McKenzie Break property for a cash payment of \$64,425 (US\$50,000) and 600,000 common shares of Monarch with a fair value of \$240,000.

The following table shows the acquired assets:

	\$
Fair value of consideration paid:	
Cash	64,425
Common shares issued by Monarch (recorded in Owner's net investment)	840,000
Purchase price balance payable, discounted at the effective interest rate of 10%	3,137,794
Transaction costs	61,959
	4,104,178
Assets acquired:	
Mining properties	4,104,178

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are as follows:

	JUNE 30, 2020	ADDITIONS TO EXPLORATION AND EVALUATION ASSETS	SEPTEMBER 30, 2020 (UNAUDITED)
	\$	\$	\$
Croinor Gold	10,554,708	–	10,554,708
McKenzie Break	3,390,388	152,935	3,543,323
Swanson	213,662	7,396	221,058
	14,158,758	160,331	14,319,089

	JUNE 30, 2019	ADDITIONS TO EXPLORATION AND EVALUATION ASSETS	JUNE 30, 2020
	\$	\$	\$
Croinor Gold	10,551,204	3,504	10,554,708
McKenzie Break	2,356,879	1,033,509	3,390,388
Swanson	181,742	31,920	213,662
	13,089,825	1,068,933	14,158,758

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	JUNE 30, 2018	ADDITIONS TO EXPLORATION AND EVALUATION ASSETS	JUNE 30, 2019
	\$	\$	\$
Croinor Gold	7,728,116	2,823,088	10,551,204
McKenzie Break	170,571	2,186,308	2,356,879
Swanson	116,233	65,509	181,742
	8,014,920	5,074,905	13,089,825

	JULY 1, 2017	ADDITIONS TO EXPLORATION AND EVALUATION ASSETS	JUNE 30, 2018
	\$	\$	\$
Croinor Gold	4,784,002	2,944,114	7,728,116
McKenzie Break	–	170,571	170,571
Swanson	–	116,233	116,233
	4,784,002	3,230,918	8,014,920

Exploration and evaluation assets by nature are as follows:

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$
Exploration and evaluation expenses:				
Salaries, supervision and consultants	76,043	515,582	1,273,665	607,758
Geology and geophysics	67,277	112,201	742,374	1,138,287
Test, sampling and prospecting	5,183	63,026	974,255	150,387
Drilling, equipment rental and other material	11,828	376,830	2,084,611	1,332,680
Lodging, meals and travel expenses	–	1,294	–	1,806
Additions to exploration and evaluation assets	160,331	1,068,933	5,074,905	3,230,918
Balance, beginning of period	14,158,758	13,089,825	8,014,920	4,784,002
Balance, end of period	14,319,089	14,158,758	13,089,825	8,014,920

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8. LONG-TERM DEBT

	BALANCE OF PURCHASE PRICE			TOTAL
	MCKENZIE BREAK		LEASE	
	BEACON	AND SWANSON	LIABILITIES	
	\$	\$	\$	\$
Balance as at July 1, 2017	3,346,971	–	127,829	3,474,800
Acquisition of mining property (note 6)	–	3,137,794	–	3,137,794
Business acquisition (note 5)	–	–	1,059,756	1,059,756
Accrued interest for the year	336,295	160,195	46,762	543,252
Repayment	–	–	(357,528)	(357,528)
Foreign exchange rate impact	61,080	–	–	61,080
Balance as at June 30, 2018	3,744,346	3,297,989	876,819	7,919,154
Accrued interest for the year	393,539	276,017	39,115	708,671
Repayment	–	(1,000,000)	(466,484)	(1,466,484)
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	449,450	6,596,740
Accrued interest for the year	–	173,211	16,881	190,092
Repayment	–	(400,000)	(384,257)	(784,257)
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
Accrued interest for the period	–	40,899	1,663	42,562
Repayment	(4,143,637)	–	(24,883)	(4,168,520)
Foreign exchange rate impact	(154,612)	–	–	(154,612)
Balance as at September 30, 2020 (UNAUDITED)	–	1,663,284	58,854	1,722,138
Current portion	–	800,000	32,371	832,371
Non-current portion	–	863,284	26,483	889,767

As at September 30, 2020, the balance of purchase price – Beacon payable in foreign currency is nil (US\$ 3,153,984 as at June 30, 2020) and bore interest at an annual rate of 10%.

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

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8. LONG-TERM DEBT (CONTINUED)

Principal payments for the coming years are as follows:

	BALANCE OF PURCHASE PRICE PAYABLE IN A VARIABLE NUMBER OF SHARES - MCKENZIE BREAK AND SWANSON	BALANCE OF PURCHASE PRICE PAYABLE IN CASH - MCKENZIE BREAK AND SWANSON	LEASE LIABILITIES	TOTAL
	\$	\$	\$	\$
2021	400,000	400,000	36,800	836,800
2022	600,000	400,000	27,600	1,027,600
	1,000,000	800,000	64,400	1,864,400
Financial expense	-	136,716	5,546	142,262
	1,000,000	663,284	58,854	1,722,138

Balance of purchase price payable in a variable number of shares- McKenzie Break and Swanson

On December 21, 2017, the Entity entered into an agreement to acquire the McKenzie Break and Swanson properties from Agnico Eagle Mines Limited (“Agnico”).

To acquire the McKenzie Break and Swanson properties, the Entity agreed to pay Agnico a total of \$4,600,000, of which \$1,600,000 will be payable in cash and \$3,000,000 payable in common shares of Monarch over a four-year period. The payments will be distributed as follows and are secured by the two mining properties acquired in the transaction:

- on closing: \$600,000 in common shares (representing 2,222,222 common shares of Monarch upon issuance);
- on the first anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch;
- on the second anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch;
- on the third anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch; and
- on the fourth anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch.

During the year ended June 30, 2019, the Entity early settled the \$600,000 share payment due in December 2019 and the \$200,000 share payment in December 2020 for \$724,832, representing the present value of the future payments of the balance of purchase price.

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8. LONG-TERM DEBT (CONTINUED)

Balance of purchase price – Beacon

During the year ended June 30, 2019, the Entity 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 premium 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 initial deferred payment. The Entity recorded a financial expense of \$191,379 related to this transaction during the year ended June 30, 2019.

9. ROYALTY BUY-BACK OPTION

	\$
Discounted value of the royalty buy-back option, at inception (Note 5)	1,315,332
Accrued interest for the year	28,460
Balance as at June 30, 2020	1,343,792
Accrued interest for the period	43,850
Balance as at September 30, 2020 (UNAUDITED)	1,387,642
Current portion	–
Non-current portion	1,387,642

The royalty buy-back option is accounted for as a financial instrument and the accretion expense is recognized as a financial expense in the combined carve-out statement of earnings (loss) and comprehensive earnings (loss).

10. ASSET RETIREMENT OBLIGATIONS

The Entity'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 Entity conducts its operations so as to protect public health and the environment. The Entity 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 Entity 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.

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10. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

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 is 3.1% (3.5% in 2019, 3.6% in 2018). The rate reflecting current market assessments used to determine the present value of the obligations is 0.5% (1.6% in 2019, 2.2% in 2018). 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 as at June 30, 2020:

	TOTAL ESTIMATED CASH FLOW	EXPECTED TIMING OF CASH FLOW PAYMENT
	\$	
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
	5,257,450	

There have no significant changes in the estimated undiscounted cash flows used in the calculation of the asset retirement obligations at September 30, 2020 (unaudited), except for the Croinor Gold Project for which estimated cash flow increased by \$139,160.

A) FINANCIAL GUARANTEES

The following table shows the allocation of financial guarantees issued as at September 30, 2020 and June 30, 2020, 2019, 2018 and July 1, 2017:

	SEPTEMBER 30, 2020 (UNAUDITED)	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JULY 1, 2017
	\$	\$	\$	\$	
Beaufor Mine	793,341	793,341	793,341	793,341	-
Beacon Mill	1,822,745	1,822,745	1,805,380	1,805,380	1,805,380
McKenzie Break Project	282,233	282,233	-	-	-
Croinor Gold Project	416,155	416,155	416,155	416,155	416,155
	3,314,474	3,314,474	3,014,876	3,014,876	2,221,535
Cash deposit	1,281,929	2,556,236	2,538,871	3,014,876	2,221,535
Bond	2,032,545	758,238	476,005	-	-

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10. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

B) ALLOCATION OF ASSET RETIREMENT OBLIGATIONS

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

	SEPTEMBER 30, 2020 (UNAUDITED)	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JULY 1, 2017
	\$	\$	\$	\$	
Beaufor Mine	1,036,619	1,032,591	1,016,592	1,320,497	–
Beacon Mill	2,972,229	2,960,676	2,914,911	2,398,031	2,318,838
Croinor Gold Project	555,315	416,155	416,155	416,155	416,155
McKenzie Break Project	282,233	282,233	282,233	–	–
	4,846,396	4,691,655	4,629,891	4,134,683	2,734,993

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

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Balance, beginning of period	4,691,655	4,629,891	4,629,891	4,134,683	2,734,993
New obligation	–		–	282,233	1,304,849
Accretion expense	15,581	15,380	61,764	76,512	55,556
Assumption changes	139,160	–	–	136,463	39,285
Balance, end of period	4,846,396	4,645,271	4,691,655	4,629,891	4,134,683

11. SHARE PURCHASE OPTIONS

The share purchase options relate to common shares of Monarch as the Entity does not have its own share capital. Certain employees, officers, directors and consultants of Monarch performing services for SpinCo received share options to purchase Monarch common shares. The Combined Carve-out Financial Statements includes an allocation of expenses associated with share-based payments related to the performance of these services in SpinCo. The share purchase options described below relates to the share purchase option plan of Monarch.

The shareholders of the Monarch approved a share purchase option plan (the “Plan”) whereby the Board of Directors of Monarch may grant to employees, officers, directors and consultants of Monarch share purchase options to acquire common shares of Monarch 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.

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11. SHARE PURCHASE OPTIONS (CONTINUED)

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

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 Monarch, 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 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 Monarch's share purchase options granted to directors, officers, employees and consultants were as follows:

	QUARTER ENDED SEPTEMBER 30, 2020		YEAR ENDED JUNE 30, 2020		YEAR ENDED JUNE 30, 2019		YEAR ENDED JUNE 30, 2018	
	Weighted		Weighted		Weighted		Weighted	
	Number	average	Number	average	Number	average	Number	average
	of	exercise	of	exercise	of	exercise	of	exercise
	options	price	options	price	options	price	options	price
		\$		\$		\$		\$
Outstanding, beginning of period	10,487,500	0.30	8,910,000	0.30	7,567,500	0.28	5,410,000	0.22
Granted	2,815,000	0.40	3,045,000	0.25	2,830,000	0.30	3,445,000	0.37
Expired	-	-	(100,000)	0.37	(120,000)	0.15	-	-
Cancelled	-	-	(417,500)	0.29	(622,500)	0.37	(497,500)	0.37
Exercised	(565,000)	0.12	(950,000)	0.12	(745,000)	0.13	(790,000)	0.20
Outstanding, end of period	12,737,500	0.33	10,487,500	0.30	8,910,000	0.30	7,567,500	0.28
Exercisable, end of period	4,550,000	0.33	4,432,500	0.31	4,336,250	0.26	4,495,000	0.22

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11. SHARE PURCHASE OPTIONS (CONTINUED)

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

NUMBER OF OPTIONS OUTSTANDING AS AT SEPTEMBER 30, 2020		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	\$	
425,000	425,000	0.08	January 2021
80,000	80,000	0.37	June 2021
500,000	500,000	0.50	August 2021
1,200,000	1,200,000	0.33	November 2021
1,835,000	975,000	0.37	October 2022
200,000	100,000	0.37	December 2022
2,447,500	1,207,500	0.31	July 2023
250,000	62,500	0.25	February 2024
2,785,000	–	0.25	October 2024
100,000	–	0.20	April 2025
100,000	–	0.28	June 2025
2,815,000	–	0.40	July 2025
12,737,500	4,550,000		

For the three-month period ended September 30, 2020 (unaudited) and the year ended June 30, 2020, the application of the fair value model resulted in an expense allocated to the Entity of \$82,733 and \$179,332, respectively (\$68,604 for the three-month period ended September 30, 2019, \$207,588 for the year ended June 30, 2019 and \$124,850 for the year ended June 30, 2018).

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

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
Risk-free interest rate	0.27%	–%	1.53%	2.40%	1.66%
Expected dividend rate	–%	–%	–%	–%	–%
Expected volatility	80%	–%	80%	80%	80%
Expected life of options	5 years	–	5 years	5 years	5 years
Weighted average price per share	\$0.40	–	\$0.21	\$0.30	\$0.37
Weighted average exercise price of options granted	\$0.40	–	\$0.25	\$0.30	\$0.37
Weighted average fair value of share purchase options granted during the period	\$0.27	–	\$0.12	\$0.19	\$0.19

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12. CONTINGENCIES

The Entity'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 Entity 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.

13. COMMITMENTS

The Entity had the following commitments as at September 30, 2020 and June 30, 2020:

Properties	Royalties on net smelter return (NSR)
Beaufor	<ul style="list-style-type: none"> ➤ 1.0% payable after the Entity 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
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)

14. REVENUES

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Precious metals sales	–	3,159,132	6,655,312	20,748,250	23,895,498
Others	–	1,023	–	19,833	18,069
	–	3,160,155	6,655,312	20,768,083	23,913,567

15. COST OF SALES

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Cost of production and processing	–	1,791,234	3,675,682	18,350,713	22,488,993
Definition drilling	–	–	–	87,047	903,492
Royalties	–	–	–	108,076	140,949
Depreciation	–	–	–	843,229	1,255,076
	–	1,791,234	3,675,682	19,389,065	24,788,510

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16. ADMINISTRATION

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Salaries, directors' fees and related benefits	127,427	243,081	896,257	2,051,181	1,248,988
Share-based payments	82,732	68,604	179,332	207,588	124,850
Consultants and professional fees	132,810	99,205	386,070	582,472	850,204
Office expense, maintenance and other expenses	26,707	68,290	133,375	275,530	481,340
Insurance, taxes and permits	36,587	7,888	55,056	286,901	163,179
Investor relations and representation expenses	39,675	43,308	108,679	309,771	465,735
Depreciation	20,539	19,319	62,072	67,443	48,909
	466,477	549,695	1,820,841	3,781,486	3,383,205

17. CARE AND MAINTENANCE

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Beaufor	269,878	554,512	2,139,861	-	-
Beacon	55,055	41,557	192,955	312,114	-
	324,933	596,069	2,332,816	312,114	-

18. FINANCE EXPENSE

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Interest on long-term debt	65,618	137,177	147,721	28,838	34,553
Accretion expense on asset retirement obligations	15,581	15,380	61,764	76,512	55,556
Accretion expense on a royalty buy-back option	43,850	-	28,461	-	-
Cost of modifying the term of a balance of purchase price	-	-	-	191,379	-
Adjustments related to asset retirement obligations	-	-	-	(331,631)	-
Others	12,050	8,866	100,717	57,938	4,092
	137,099	161,423	338,663	23,036	94,201

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19. OTHER CASH FLOW INFORMATION

Change in non-cash working capital items:

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Commodity taxes and other receivables	(1,881,974)	143,587	199,493	476,628	(672,132)
Inventory	1,660	288,457	1,078,566	365,738	(773,545)
Prepaid expenses and deposits	58,049	(565,174)	42,729	(99,352)	(216,183)
Trade and other payables	(94,730)	(600,935)	(1,125,937)	(3,355,416)	5,131,093
	(1,916,995)	(734,065)	194,851	(2,612,402)	3,469,233

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
<u>Non-cash items:</u>					
Change in trade and other payables related to exploration and evaluation assets	(98,263)	(2,178)	137,006	(914,500)	579,307
Acquisition of mining properties paid through the issuance of common shares of Monarch	-	-	643,500	-	-
Business acquisition paid through the issuance of common shares of Monarch	-	-	-	-	2,994,455
Capitalized interest on property, plant and equipment	69,971	103,987	423,901	393,539	336,295
Capitalized interest on mining properties	40,899	46,615	173,211	276,017	160,195

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20. RELATED PARTY TRANSACTIONS

A) TRANSACTIONS WITH MONARCH

In the normal course of business, SpinCo purchases and sells services from/to various subsidiaries or divisions of Monarch. These transactions occurred in the normal course of operations and were measured at exchange amount, which is the amount established and accepted by the parties.

These Combined Carve-out Financial Statements include transactions with Monarch and its group companies that are outside of the SpinCo activities. Monarch is a related party as it controlled the SpinCo activities during the periods presented. The most significant related party transactions are described below.

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Allocation of corporate expenses included in administration expenses	375,000	525,000	3,755,694	5,292,510	3,732,401
	375,000	525,000	3,755,694	5,292,510	3,732,401

These costs represent mainly head office labor costs and information technology services. The method used to allocate corporate expenses is described in Note 2.

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Milling and cleaning fees included in cost of sales	-	1,652,643	2,436,287	2,916,366	3,443,790
	-	1,652,643	2,436,287	2,916,366	3,443,790

Due to and from related parties

Due to and from related parties are in connection with normal course of operations and are generally short-term in nature.

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

B) TOTAL COMPENSATION

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Salaries, directors' fees, premiums and other benefits	666,338	732,566	2,108,917	8,798,996	10,240,417
Share-based payments	82,732	68,604	179,332	207,588	124,850
Defined contribution plan	20,913	18,195	52,145	298,081	318,203
Government plans	50,816	96,060	232,016	1,130,065	1,415,335
	820,799	915,425	2,572,410	10,434,730	12,098,805

C) KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key management personnel compensation includes the following expenses:

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Salaries, directors' fees, premiums and other benefits	150,988	181,810	641,867	522,669	465,459
Defined contribution plan	67,014	26,412	147,052	155,691	39,071
Government plans	6,107	3,639	11,618	18,337	4,489
Share-based payments	7,783	9,055	39,343	33,991	21,959
	231,892	220,916	839,880	730,688	530,978

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21. DEFERRED INCOME AND MINING TAXES

The income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate to the profit before income taxes due to the following:

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Earnings before income taxes	(1,719,856)	92,601	2,275,567	(1,017,616)	(4,381,583)
Federal and provincial tax rate	26,50	26,65	26,55	26,65	26,75
Expected tax expense(recovery)	(455,762)	24,678	604,163	(271,195)	(1,172,073)
Change in income taxes resulting from:					
Non-deductible share-based payment	21,924	18,282	47,613	55,322	33,398
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	42,488	59,302	282,339	1,421,597	1,003,415
Non-deductible expenses and other	-	-	(343,309)	24,486	-
Change in unrecognized tax assets	409,884	(63,775)	(429,092)	(511,932)	865,209
Deduction of mining tax recovery	(6,798)	(17,413)	(63,343)	(260,519)	(453,133)
Permanent difference arising from non-taxable income related to flow- through shares	(11,736)	(21,074)	(98,371)	(457,759)	(276,816)
Mining tax expense	25,653	65,710	239,029	983,092	1,157,938
Income tax expense	25,653	65,710	239,029	983,092	1,157,938

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21. DEFERRED INCOME AND MINING TAXES (CONTINUED)

Movements in temporary differences during the quarter ended September 30, 2020 (unaudited) and for the years ended June 30, 2020, June 30, 2019 and June 30, 2018 are detailed as follows:

	BALANCE AS AT JUNE 30, 2020	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OWNER'S NET INVESTMENT	BALANCE AS AT SEPTEMBER 30, 2020 (UNAUDITED)
	\$	\$	\$	\$
Deferred income tax assets				
Property, plant and equipment	1,284,639	–	–	1,284,639
Operating losses	2,348,765	42,488	–	2,391,253
Asset retirement obligations	1,243,288	41,007	–	1,284,295
Debt issuance costs	30,000	–	–	30,000
	4,906,692	83,495	–	4,990,187
Deferred income tax liabilities				
Deferred mining taxes	(2,267,276)	(25,653)	–	(2,292,929)
Mining properties	(497,954)	(41,007)	–	(538,961)
Property, plant and equipment	(1,268,591)	–	–	(1,268,591)
Exploration and evaluation assets	(3,087,050)	(42,488)	–	(3,129,538)
Long-term debt and other	(53,097)	–	–	(53,097)
	(7,173,968)	(109,148)	–	(7,283,116)
	(2,267,276)	(25,653)	–	(2,292,929)
	\$	\$	\$	\$
Deferred income tax assets				
Property, plant and equipment	1,321,791	(37,152)	–	1,284,639
Operating losses	1,450,810	897,955	–	2,348,765
Asset retirement obligations	1,226,921	16,367	–	1,243,288
Debt issuance costs	41,000	(11,000)	–	30,000
	4,040,522	866,170	–	4,906,692
Deferred income tax liabilities				
Deferred mining taxes	(2,096,247)	(171,029)	–	(2,267,276)
Mining properties	(127,976)	(369,978)	–	(497,954)
Property, plant and equipment	(985,946)	(282,645)	–	(1,268,591)
Exploration and evaluation assets	(2,803,712)	(283,338)	–	(3,087,050)
Long-term debt and other	(122,888)	69,791	–	(53,097)
	(6,136,768)	(1,037,199)	–	(7,173,968)
	(2,096,247)	(171,029)	–	(2,267,276)

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21. DEFERRED INCOME AND MINING TAXES (CONTINUED)

	BALANCE AS AT JUNE 30, 2018	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OWNER'S NET INVESTMENT	BALANCE AS AT JUNE 30, 2019
	\$	\$	\$	\$
Deferred income tax assets				
Property, plant and equipment	1,214,709	107,082	-	1,321,791
Operating losses	249,747	1,201,063	-	1,450,810
Asset retirement obligations	1,095,690	131,231	-	1,226,921
Debt issuance costs	-	41,000	-	41,000
	2,560,146	1,480,376	-	4,040,522
Deferred income tax liabilities				
Deferred mining taxes	(1,284,262)	(811,985)	-	(2,096,247)
Mining properties	(155,347)	27,371	-	(127,976)
Property, plant and equipment	(749,946)	(236,000)	-	(985,946)
Exploration and evaluation				
assets	(1,455,820)	(1,347,892)	-	(2,803,712)
Long-term debt and other	(199,033)	76,145	-	(122,888)
	(3,844,408)	(2,292,361)	-	(6,136,769)
	(1,284,262)	(811,985)	-	(2,096,247)

	BALANCE AS AT JULY 1, 2017	RECOGNIZED IN PROFIT OR LOSS	BUSINESS COMBINATION	BALANCE AS AT JUNE 30, 2018
	\$	\$	\$	\$
Deferred income tax assets				
Property, plant and equipment	-	1,214,709	-	1,214,709
Operating losses	531,845	(282,099)	-	249,746
Asset retirement obligations	-	830,690	265,000	1,095,690
	531,845	1,763,300	265,000	2,560,145
Deferred income tax liabilities				
Deferred mining taxes	(872,855)	(963,421)	552,016	(1,284,260)
Mining properties	(531,847)	641,499	(265,000)	(155,348)
Property, plant and equipment	-	(749,946)	-	(749,946)
Exploration and evaluation				
assets	-	(1,455,820)	-	(1,455,820)
Long-term debt and other	-	(199,033)	-	(199,033)
	(1,404,702)	(2,726,721)	287,016	(3,844,407)
	(872,857)	(963,421)	552,016	(1,284,262)

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21. DEFERRED INCOME AND MINING TAXES (CONTINUED)

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

	BALANCE AS AT SEPTEMBER 30, 2020 (UNAUDITED)	BALANCE AS AT JUNE 30, 2020	BALANCE AS AT JUNE 30, 2019	BALANCE AS AT JUNE 30, 2018	BALANCE AS AT JULY 1, 2017
	\$	\$	\$	\$	\$
Non-capital loss carry- forwards	1,778,435	1,368,551	1,797,643	2,309,575	830,619
Property, plant and equipment	-	-	-	-	29,305
Asset retirement obligations	-	-	-	-	111,946
Exploration and evaluation assets	-	-	-	-	144,785
Others	-	-	-	-	3,551
	1,778,435	1,368,551	1,797,643	2,309,575	1,120,206

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 Entity 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.

The SpinCo Entities have the following net operating losses as at September 30, 2020

	\$
2025	4,561
2026	569,407
2027	566,242
2028	187,288
2029	-
2030	61,391
2031	99,309
2032	654,488
2033	341,922
2034	521,887
2035	918,663
2036	673,374
2037	1,869,307
2038	2,935,737
2039	3,076,945
2040	1,712,740
2041	1,546,730
	15,739,991

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22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Current financial assets and liabilities, which include cash and cash equivalents, other receivables, in trust deposits, 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 balance of purchase price and the royalty buy-back option, approximates its 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 reporting date taking into account the Entity's credit risk.

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

AS AT SEPTEMBER 30, 2020 (UNAUDITED)	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial liabilities measured at amortized cost					
Balance of purchase price	1,663,284	1,663,284	–	–	1,663,284
Royalty buy-back option	1,387,642	1,387,642	–	–	1,387,642

AS AT JUNE 30, 2020	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
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 liabilities measured at amortized cost					
Balance of purchase price	6,147,290	6,147,290	–	–	6,147,290

MONARCH MINING SPINCO
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND YEARS ENDED JUNE 30, 2020, 2019
AND 2018

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

AS AT JUNE 30, 2018	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial liabilities measured at amortized cost					
Balance of purchase price	7,042,335	7,042,335	–	–	7,042,335
AS AT JULY 1, 2017	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial liabilities measured at amortized cost					
Balance of purchase price	3,474,800	3,474,800	–	–	3,474,800

Risk exposure and management

The Entity 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 and foreign exchange will affect the Entity'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 Entity is exposed to a limited change in fair value as they are redeemable at any time or the Entity intends to use them in the short term for its operations. The Entity'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.

Currency risk

Exposure to currency exchange rates arises from revenues from the sale of precious metals and purchases that the Entity 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 Entity 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 Entity don't have any US dollar denominated financial instruments as at September 30, 2020 (unaudited).

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

A) Market risk (continued)

Currency risk (continued)

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 Entity 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 Entity's income is directly related to commodity prices as revenues are derived primarily from the sale of gold. For its gold production, the Entity 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 Entity 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 and September 30, 2020 (unaudited), the Entity had not entered into any forward contracts, while it had the following contracts hedging its gold production as at June 30, 2019 relating to purchases and sales in the normal course of business:

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

B) Credit risk

Credit risk is the risk of financial loss to the Entity if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Entity's cash and cash equivalents and the carrying amount of these financial assets represents the Entity's maximum exposure to credit risk as at the date of the combined carve-out 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 Entity performs a credit analysis or ensures that it has sufficient collateral in the event of non-payment by the third party to cover the carrying value of the balance of sale.

MONARCH MINING SPINCO
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
PERIODS OF THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND YEARS ENDED JUNE 30, 2020, 2019
AND 2018

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

C) Liquidity risk

Liquidity risk is the risk that the Entity will not be able to meet the financial obligations associated with its financial liabilities as they fall due. The Entity manages liquidity risk through the management of its capital structure as outlined in Note 23. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2020 and September 30, 2020 (unaudited), all of the Entity'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 Entity had sufficient funds available to meet its current financial liabilities.

The following table shows the Entity's financial liabilities based on the contractual maturities, including any interest payable, as at September 30, 2020 (unaudited):

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	\$	\$	\$	\$	\$
Trade and other payables	2,182,823	2,182,823	2,182,823	-	-
Balance of purchase price payable in cash	1,663,282	800,000	800,000	-	-
Royalty buy-back option	1,387,642	2,500,000	-	-	2,500,000
	5,233,747	5,482,823	2,982,823	-	2,500,000

The following table shows the Entity'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	1,685,541	1,685,541	1,685,541	-	-
Balances 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
	8,949,967	9,283,790	4,951,040	1,832,750	2,500,000

23. CAPITAL MANAGEMENT

As at September 30, 2020 (unaudited) and June 30, 2020, the Entity's capital consists of Owner's net investment and long-term debt amounting to \$32,515,357 and \$31,443,458, respectively (\$29,682,540 as at June 30, 2019 and \$23,133,552 as at June 30, 2018).

The Entity'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. The Entity has financed its operations primarily from funding provided by Monarch. Under the Plan of Arrangement, the Entity will have cash of \$14 million to fund operations as a stand-alone entity. See note 1.

In order to maintain or adjust the capital structure, the Entity 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 Entity has no dividend policy.

SCHEDULE II
SPINCO'S UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

See attached.

MONARCH MINING CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

MONARCH MINING CORPORATION
68 AVENUE DE LA GARE, SUITE 205
SAINT-SAUVEUR (QUÉBEC) J0R 1R0
TEL. : 1-888-994-4465

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

UNAUDITED

	MONARCH MINING CORPORATION	COMBINED CARVE-OUT MONARCH MINING SPINCo	PRO FORMA ADJUSTMENTS	NOTE	MONARCH MINING CORPORATION PRO FORMA CONSOLIDATED
	\$	\$	\$		\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1	283,813	13,716,187	4 a) 4 d)	14,000,000
Commodity taxes and other receivables	-	2,122,006	-		2,122,006
Balance of sale	-	2,000,000	-		2,000,000
Inventory	-	1,192,204	-		1,192,204
Prepaid expenses and deposits	-	323,435	-		323,435
	1	5,921,458	13,716,186		19,637,645
NON-CURRENT ASSETS					
In trust deposits	-	1,281,929	-		1,281,929
Property, plant and equipment	-	13,282,108	-		13,282,108
Mining properties	-	8,903,262	-		8,903,262
Exploration and evaluation assets	-	14,319,089	-		14,319,089
	-	37,786,388	-		37,786,388
	1	43,707,846	13,716,186		57,424,033
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	-	2,665,522	-		2,665,522
Current portion of long-term debt	-	832,371	(800,000)	4 b)	32,371
	-	3,497,893	(800,000)		2,697,893
NON-CURRENT LIABILITIES					
Long-term debt	-	889,767	(863,282)	4 b)	26,485
Royalty buy-back option	-	1,387,642	-		1,387,642
Deferred income taxes and mining taxes	-	2,292,929	2,117,071	4 c)	4,410,000
Asset retirement obligations	-	4,846,396	-		4,846,396
	-	9,416,734	1,253,789		10,670,523
	-	12,914,627	453,789		13,368,416
EQUITY					
Owner's net investment	-	30,793,219	(30,793,219)	4 e)	-
Share capital and warrants	1	-	44,509,406	4 a)	44,055,617
			1,663,282	4 b)	
			(2,117,071)	4 c)	
			(1)	4 d)	
	1	30,793,219	13,262,397		44,055,617
	1	43,707,846	13,716,186		57,424,033

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS

THREE MONTHS ENDED SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

UNAUDITED

	COMBINED CARVE-OUT MONARCH MINING SPINCo	PRO FORMA ADJUSTMENTS	NOTE	MONARCH MINING CORPORATION PRO FORMA CONSOLIDATED
	\$	\$		\$
Revenue	-	-		-
Cost of sales	-	-		-
Gross margin	-	-		-
Administration	466,477	-		466,477
Care and maintenance	324,933	-		324,933
Exploration	1,091,599	-		1,091,599
Operating loss	(1,883,009)	-		(1,883,009)
Finance income	68,050	-		68,050
Finance expense	(137,099)	-		(137,099)
Gain on foreign exchange	176,027	-		176,027
Gain on disposal	11,890	-		11,890
Other income related to flow-through shares	44,285	(44,285)	4 f)	-
Loss before taxes	(1,719,856)	(44,285)		(1,764,141)
Current income and mining tax recovery	-	(467,497)	4 g)	(467,497)
Deferred mining tax expense	25,653	(25,653)	4 g)	-
	-	(493,150)		(467,497)
Net loss and comprehensive loss	(1,745,509)	(448,865)		(1,296,644)

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements

PRO FORMA CONSOLIDATED STATEMENT OF NET EARNINGS AND COMPREHENSIVE INCOME

YEAR ENDED JUNE 30, 2020

(Expressed in Canadian dollars)

UNAUDITED

	COMBINED CARVE-OUT MONARCH MINING SPINCO	PRO FORMA ADJUSTMENTS	NOTE	MONARCH MINING CORPORATION PRO FORMA CONSOLIDATED
	\$	\$		\$
Revenue	6,655,313	–		6,655,313
Cost of sales	3,675,682	–		3,675,682
Gross margin	2,979,631	–		2,979,631
Administration	1,820,841	–		1,820,841
Care and maintenance	2,332,816	–		2,332,816
Exploration	99,042	–		99,042
Operating loss	(1,273,068)	–		(1,273,068)
Finance income	6,451	–		6,451
Finance expense	(338,663)	–		(338,663)
Loss on foreign exchange	(137,023)	–		(137,023)
Gain on disposal	3,647,356	–		3,647,356
Other income related to flow-through shares	370,514	(370,514)	4 f)	–
Earnings before taxes	2,275,567	(370,514)		1,905,053
Current income and mining tax expense	68,000	505,792	4 g)	573,792
Deferred mining tax expense	171,029	(171,029)	4 g)	–
	239,029	334,763		573,792
Net earnings and comprehensive income	2,036,538	705,277		1,331,261

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

1. GENERAL INFORMATION AND PROPOSED TRANSFER OF ASSETS AND LIABILITIES

The unaudited pro forma consolidated financial statements have been prepared by management for purposes of inclusion in the management information circular (the “Circular”) of Monarch Gold Corporation (“Monarch”) dated November 23, 2020, in respect of the annual and special meeting of securityholders of Monarch to consider a plan of arrangement (the “Arrangement”) involving Monarch, its securityholders and Yamana Gold Inc. (“Yamana”), pursuant to which Yamana will acquire all of the issued and outstanding common shares of Monarch, including common shares that may become outstanding after the date of the execution of the Arrangement but before the effective time of the Arrangement.

Under the Arrangement, Monarch will first complete a spin-out to its shareholders, through a newly-formed company, Monarch Mining Corporation (“SpinCo” or the “Company”), that will hold certain mineral properties and certain other assets and liabilities of Monarch.

SpinCo was incorporated on November 11, 2020 under the *Canada Business Corporations Act*. The Company was formed for the sole purpose of participating in the Arrangement. The Company has not carried on any active business other than in connection with the Arrangement and related matters. The Company’s head and registered office is located at 68 avenue de la Gare, Suite 205, St-Sauveur, QC J0R 1R0.

Before implementation of the Arrangement

At September 30, 2020, in relation with its Fayolle acquisition in August 2019, Monarch had 2,266,666 shares to be issued to the seller (1,133,334 shares to be issued no later than December 19, 2020 and 1,133,333 shares to be issued no later than August 19, 2021). Monarch will issue these 2,266,666 shares to the seller before the closing, as per the terms of the arrangement agreement dated November 1, 2020 entered into between Monarch and Yamana in connection with the Arrangement (the “Arrangement Agreement”). The Fayolle property was subsequently sold by Monarch in May 2020.

In addition, as at September 30, 2020, Monarch also had a balance of purchase payable in relation with two properties to be transferred to SpinCo. In connection therewith, \$400,000 cash and \$400,000 in Monarch shares are payable in December 2020, and \$400,000 in cash and \$600,000 in Monarch shares are payable in December 2021. As per the terms of the Arrangement Agreement, the balance of the purchase price payable will be settled by Monarch before the effective time of the Arrangement (the “Effective Time”). The number of shares to be issued by Monarch for a deemed amount of \$1 million is to be adjusted based on the value of the five-day volume weighted average price of the Monarch shares immediately prior to the settlement.

Upon implementation of the Arrangement

The following assets and liabilities will be transferred by Monarch to SpinCo:

- i) The Beaufor mine, the McKenzie Break property, the Croinor Gold property, the Swanson property and the Beacon Gold mill and property (the “SpinCo Properties”) and all assets and liabilities related to the SpinCo Properties; and
- ii) Sufficient cash to bring the total amount of cash in SpinCo to \$14 million, (collectively the “Transferred Assets”).

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

1. GENERAL INFORMATION AND PROPOSED TRANSFER OF ASSETS AND LIABILITIES (CONTINUED)

Following the transactions noted above, each outstanding common share of Monarch will be exchanged for:

- i) \$0.192 in cash from Yamana;
- ii) 0.0376 of a Yamana share (a value of C\$0.288 based on the volume weighted average price of the Yamana shares on the TSX for the 20 trading days ended on October 30, 2020); and
- iii) 0.20 of a SpinCo Share (with each full share having an estimated value of C\$0.75 per share).

The shares of SpinCo will be distributed to Monarch shareholders (each share of Monarch held will result in the receipt of a 0.2 share of SpinCo). The Company will apply to have the shares of SpinCo listed for trading on the Toronto Stock Exchange ("TSX"), or another recognized stock exchange in Canada. However, no assurance can be given as to if, or when, such shares will be listed or traded on any such stock exchange.

The completion of the Arrangement is subject to the satisfaction of a number of conditions, including TSX approval, court approval, and obtaining the requisite approval from the securityholders of Monarch.

Upon completion of the Arrangement, SpinCo will be an exploration and evaluation company that is primarily engaged in the business of exploring and developing the SpinCo Properties.

2. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements have been prepared for illustrative purposes only and give effect to the Arrangement and pursuant to pro forma adjustments described in Note 4.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position and results of operations that would have been achieved if the proposed Arrangement had been completed on the dates presented, nor do they claim to project the results of operations or financial position of the Company for any future period or as of any future date.

The unaudited pro forma consolidated financial statements should be read in conjunction with:

- i) the description of the transactions in the Circular;
- ii) the audited combined carve-out financial statements, together with the notes thereto, of SpinCo as at and for the years ended June 30, 2020, 2019 and 2018, included in the Circular (Appendix F, Schedule 1);
- iii) the unaudited combined carve-out financial statements, together with the notes thereto, of SpinCo as at and for the three-month periods ended September 30, 2020 and 2019, included in the Circular (Appendix F, Schedule 1);
- iv) the audited consolidated financial statements, together with the notes thereto, of Monarch as at and for the years ended June 30, 2020 and 2019, and
- v) the unaudited consolidated financial statements, together with the notes thereto, of Monarch as at and for the three-month periods ended September 30, 2020 and 2019.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

2. BASIS OF PRESENTATION (CONTINUED)

The historical financial statements have been adjusted in the unaudited pro forma financial statements to give effect to pro forma events that are:

- i) directly attributable to the Arrangement;
- ii) factually supportable; and
- iii) with respect to the pro forma consolidated statements of net earnings (loss) and comprehensive earnings (loss), expected to have a continuing impact on the combined results following the Arrangement.

In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for a fair presentation of the transactions described in the notes to the unaudited pro forma consolidated financial statements applied on a basis consistent with the accounting policies of SpinCo as set out in the historical combined carve out financial statements as at and for the year ended June 30, 2020.

As of the date of transfer of the Transferred Assets to SpinCo, the transaction will be accounted in the accounts of SpinCo at their historical carrying values in the accounts of Monarch since the transfer occurs between companies under common control. The unaudited pro forma consolidated financial information will differ from the final accounting for a number of reasons, including the fact that the definitive determination of the carrying value of the Transferred Assets will occur on the date of transfer.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the unaudited pro forma consolidated financial statements are set out in SpinCo's audited combined carve-out financial statements as at and for the year ended June 30, 2020, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

4. PRO FORMA ADJUSTMENTS

The unaudited pro forma consolidated financial statements include the following assumptions and adjustments to give effect to the Arrangement and related transactions, as described in Note 1, as if the Arrangement and related transactions had occurred on July 1, 2019, for the unaudited pro forma consolidated statement of earnings (loss) and comprehensive earnings (loss) items, and on September 30, 2020 for the unaudited pro forma consolidated statement of financial position items.

Pro forma adjustments to the statement of financial position

- a. To record the issuance of 66,335,483 SpinCo common shares to purchase the Transferred Assets from Monarch and the issuance of 19,024,728 SpinCo warrants as per the terms of the Arrangement. The common shares and warrants have been recorded at the carrying amount of the Transferred Assets in Monarch.
- b. To record settlement of the balance of purchase price payable by Monarch for two properties before the closing of the transaction.
- c. To adjust deferred income taxes and mining taxes payable to reflect the tax structure of SpinCo at closing.
- d. To cancel the initial share issued by SpinCo, as per the terms of the Arrangement.
- e. To eliminate the net owner investment, which represented the amount of Monarch's net investment in the SpinCo Properties and all assets and liabilities related to the SpinCo Properties.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

4. PRO FORMA ADJUSTMENTS (CONTINUED)

Pro forma adjustments to the statement of net earnings (loss) and comprehensive income (loss)

- f. To eliminate the Other income related to flow-through shares that was allocated to SpinCo in the historical combined carve-out financial statements, to reflect the proposed equity structure of SpinCo from the date that the Company gives effect to the Arrangement.
- g. To eliminate the deferred mining taxes of the combined carve-out financial statements and replace it with current income taxes on the estimated taxable income using a tax rate of 26.50% for the quarter ended September 30, 2020 and 26.55% for the year ended June 30, 2020 to reflect the tax structure of SpinCo as a stand-alone entity.

5. SHARE CAPITAL AND WARRANTS

The Share capital as at September 30, 2020 in the unaudited pro-forma consolidated statement of financial position is comprised of the following (the number of shares to be issued by SpinCo reflects the share issuance of 0.2 share of SpinCo for each 1 share of Monarch under the Arrangement):

	NUMBER OF SHARES	NUMBER OF WARRANTS	\$
Common shares, no par value, voting:			
Opening balance - SpinCo	1	–	1
Common shares and warrants to be issued at the date of transfer of the Transferred Assets ^{(1) (2)}	66,335,483	19,024,728	44,055,617
Cancellation of the initial share	(1)	–	(1)
Total	66,335,483	19,024,728	44,055,617

(1) As described in note 1, Monarch will settle the balance of purchase price payable in relation to two properties that will transferred to SpinCo prior to the Effective Time. The number of shares to be issued by Monarch for a deemed amount of \$1 million is to be adjusted based on the value of the five-day volume weighted average price of the Monarch shares immediately prior to the settlement. For purposes of the pro forma financial statements, the number of SpinCo shares to be issued to Monarch at the Effective Time was determined using a share price of \$0.63 per share, representing the Monarch share price as established by the total consideration to be received pursuant to the Yamana acquisition at the date of announcement of November 2, 2020. Accordingly, included in the shares to be issued to Monarch are 317,460 common shares related to this settlement (adjusted using the issuance of 0.2 share of SpinCo for each 1 share of Monarch). At the Effective Time, the actual number of shares will be adjusted to reflect the five-day volume weighted average price of the Monarch shares.

(2) Assuming that all of the options are all exercised prior to closing, rather than being paid out in option shares under the plan of arrangement. The number of shares issuable in respect of the options would be different if the options remain outstanding at the effective time and get paid out in option shares based on the in-the-money amount.

As at September 30, 2020, Monarch had 315,085,953 shares outstanding, 2,266,666 shares to be issued and 12,737,500 share purchase options outstanding in the money.

As at September 30, 2020, Monarch had 19,024,728 warrants (the “Certificated Warrants”) outstanding issued pursuant to standalone warrant certificates and 10,217,000 warrants (the “Indenture Warrants”) outstanding issued pursuant to a warrant indenture dated September 17, 2020 between Monarch and Computershare Trust Company of Canada (the “Warrant Indenture”).

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

5. SHARE CAPITAL AND WARRANTS (CONTINUED)

In accordance with the terms of the certificates representing the Certificated Warrants, for each unexercised Certificated Warrant outstanding prior to the Effective Time, the holder will receive:

- i) a warrant (a "Replacement Yamana Warrant") to purchase from Yamana 0.0376 of a Yamana share (and when aggregated with the other similar Replacement Yamana Warrants of a holder of such Certificated Warrants resulting in a fraction of a Yamana share, they shall be rounded down to the nearest whole number of Yamana shares). Each Replacement Yamana Warrant shall provide for an exercise price per Replacement Yamana Warrant (rounded up to the nearest whole cent) equal to the exercise price per Yamana share that would otherwise be payable to acquire a Monarch common share pursuant to the Certificated warrant it replaces less \$0.192 and less the exercise price of the Replacement SpinCo Warrant. The term of expiry, conditions to and manner of exercise (provided any Replacement Yamana Warrant shall be exercisable at the offices of Yamana or its transfer agent) and other terms and conditions of each Replacement Yamana Warrant shall be as nearly equivalent as practicable as the terms and conditions of the certificates governing such Certificated Warrant for which it is exchanged.
- ii) a warrant (a "Replacement SpinCo Warrant") to purchase from SpinCo 0.2 of a SpinCo share (and when aggregated with the other similar Replacement SpinCo Warrants of a holder of such Certificated Warrants resulting in a fraction of a SpinCo share, they shall be rounded down to the nearest whole number of SpinCo shares). Each Replacement SpinCo Warrant shall provide for an exercise price per SpinCo share determined by the following formula (rounded up to the nearest whole cent): $(\text{original exercise price per Monarch common share} \times (\text{fair market value of a SpinCo share}^{(1)} \times 0.2)) / (\text{fair market value of a Monarch class A share}^{(1)} + (\text{fair market value of a SpinCo share}^{(1)} \times 0.2))$. The term of expiry, conditions to and manner of exercise (provided any Replacement SpinCo Warrant shall be exercisable at the offices of SpinCo or its transfer agent) and other terms and conditions of each Replacement SpinCo Warrant shall be as nearly equivalent as practicable as the terms and conditions of the certificates governing such Certificated Warrant for which it is exchanged.

(1) "fair market value" with reference to:

- (i) a Yamana share means the amount that is the closing price of Yamana shares on the TSX on the last trading day immediately prior to the Effective Date;
- (ii) a Monarch class A share means the amount that is the sum of the fair market value of a Yamana share multiplied by 0.0376 plus \$0.192;
- (iii) a SpinCo share means the amount determined by subtracting the fair market value of a Monarch Class A share from the closing price of Monarch common shares on the TSX on the last trading day immediately before the Effective Date and dividing the difference by 0.2;

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

5. SHARE CAPITAL AND WARRANTS (CONTINUED)

In accordance with the terms of the Warrant Indenture, for each Indenture Warrant the holder will be entitled to receive (and such holder shall accept) upon the exercise of such holder's Indenture Warrants, in lieu of Monarch common shares to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the number of Yamana shares, the value of the cash consideration and SpinCo shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Monarch shares to which such holder would have been entitled if such holder had exercised such holder's Indenture Warrants immediately prior to the Effective Time. Each Indenture Warrant shall continue to be governed by and be subject to the terms of the Warrant Indenture, subject to any supplemental indenture, warrant certificate or exercise documents, as applicable, issued provided by the Yamana and SpinCo (as they mutually agree, each acting reasonably) to holders of the Indenture Warrants to facilitate the exercise of the Indenture Warrants and the payment of the corresponding portion of the exercise price therefor.

Upon any valid exercise of a Indenture Warrant after the Effective Time, Yamana shall issue the requisite number of Yamana shares and SpinCo shall issue the requisite number of SpinCo shares, necessary to settle such exercise, provided that Yamana or SpinCo, as applicable, has received the portion of the Indenture Warrant exercise price such that the Indenture Warrant exercise price is divided between the Yamana and SpinCo as follows:

- i) the Purchaser shall receive a portion of the exercise price equal to the original exercise price of the Indenture Warrant less the cash consideration amount that would have been payable in exchange for that number of Monarch shares that were previously issuable upon exercise and less the exercise price payable to SpinCo as set out below; and
- ii) SpinCo shall receive a portion of the exercise price determined in accordance with the following formula: (original exercise price x (fair market value of a SpinCo Share x 0.2)) / (fair market value of a Monarch Common Share + (fair market value of a SpinCo share x 0.2)).

The number of Replacement SpinCo Warrant to be outstanding at the Effective Time will be as follows:

NUMBER OF REPLACEMENT SPINCO WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2020	EXERCISE PRICE	EXPIRY DATE
	\$	
6,410,256 (exercisable)	Note 1	March 2021
118,182 (exercisable)	Note 1	April 2021
1,205,040 (exercisable)	Note 1	September 2022
11,291,250 (exercisable)	Note 1	June 2023
19,024,728		

The number of Monarch Indenture warrants to be outstanding at the Effective Time will be as follows:

NUMBER OF MONARCH INDENTURE WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2020	EXERCISE PRICE	EXPIRY DATE
10,217,000 (exercisable)	Note 2	September 2022

Note 1: See description above related to Certificated Warrants

Note 2: See description above related to Indenture Warrants

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

6. SHARE PURCHASE OPTION AND RESTRICTED SHARE UNIT PLANS

Share Purchase Option Plan

As part of the Arrangement, the shareholders of Monarch will vote to approve a stock option plan (the "Plan") whereby the Board of Directors of SpinCo may grant to employees, officers, directors and consultants of SpinCo stock 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 SpinCo common shares at the time of grant.

The Plan will provide that the maximum number of common shares of SpinCo that may be reserved for issuance under the Plan shall not be greater than 10% of the issued and outstanding shares of SpinCo. The implementation of the SpinCo share purchase option plan will be subject to completion of the Arrangement.

The maximum number of SpinCo common shares which may be reserved for issuance with regards to stock options to a single holder may not exceed 5% of the outstanding SpinCo common shares at the time of vesting and may not exceed 2% of the outstanding SpinCo 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 SpinCo, his options normally expire no later than one year following his departure, subject to the conditions established under the Plan. The vesting period for the stock options varies from immediate vesting up to 36 months following the acquisition date and the life of the options varies from two to five years.

No stock options will be issued before the closing date.

Restricted Share Unit Plan

As part of the Arrangement, the shareholders of Monarch will also vote to approve a restricted share unit plan ("RSU Plan"), which provides for grants of restricted share units to Eligible Persons (as defined in the RSU Plan) in the future.

The RSU Plan will be adopted to provide Eligible Persons with greater incentive to develop and promote the business and financial success of SpinCo, to align the interests of Eligible Persons with those of the shareholders of SpinCo generally through a proprietary ownership interest in SpinCo, to recognize the contribution of Eligible Persons to the growth of SpinCo, to provide a long-term incentive element in an overall compensation package which is competitive with SpinCo's peer group, to motivate Eligible Persons under the RSU Plan to achieve important corporate and personal objectives to be determined between SpinCo and the Eligible Person, as well as to assist SpinCo in attracting, retaining and motivating Eligible Persons.

No restricted share units will be issued before the closing date. The implementation of the RSU Plan will be subject to completion of the Arrangement.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Expressed in Canadian dollars)

UNAUDITED

7. Earnings (loss) PER SHARE

	THREE MONTHS ENDED SEPTEMBER 30, 2020	YEAR ENDED JUNE 30, 2020
	\$	\$
Pro forma net earnings (loss)	(1,296,644)	1,331,261
Weighted average number of shares outstanding of SpinCo: Shares deemed issued to Monarch Gold Corporation's existing shareholders	66,335,483	66,335,483
Dilutive effect of warrants	–	1,743,330
Total	66,335,483	68,078,813
Basic and diluted pro forma net earnings (loss) per share	(0.02)	0.02

Basic and diluted net loss per share are identical for the three months ended September 30, 2020 as all potentially dilutive common shares are deemed to be antidilutive as a result of the pro forma net loss.

For purposes of calculating the dilutive effect of the warrants in the pro forma financial statements, the inputs used were derived from the total consideration of \$0.63 per Monarch share to be received by Monarch shareholders pursuant to the Yamana acquisition at the date of announcement of November 2, 2020. At the Effective Time, the actual calculation of the dilutive effect of warrants will be different to reflect the market value of the share price of SpinCo and the exercise price of each warrants.

SCHEDULE III
SPINCO'S MANAGEMENT'S DISCUSSION AND ANALYSIS

See attached.

**COMBINED CARVE-OUT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MONARCH MINING SPINCO
68 AVENUE DE LA GARE, BUREAU 205
SAINT-SAUVEUR (QUÉBEC) J0R 1R0
TEL. : 1-888-994-4465

The Management's Discussion and Analysis ("MD&A") is dated November 23, 2020 and is intended to help readers become familiar with the combined carve-out activities of Monarch Mining SpinCo (the "Company" or "Entity" or "SpinCo") and the highlights of its financial results. In particular, it explains its financial performance and its cash flows for the quarter ended September 30, 2020 and 2019, for the years ended June 30, 2020, 2019 and 2018 and a comparison of its statements of financial position as at September 30, 2020, June 30, 2020, 2019, 2018 and July 1, 2017.

This management's discussion and analysis, prepared in accordance with National Instrument 51-102 *Continuous Disclosure Obligations*, should be read in conjunction with the SpinCo's combined carve-out financial statements for the quarter ended September 30, 2020 and for the years ended June 30, 2020 and the accompanying notes. The combined carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). As a result, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

The combined carve-out financial statements management report were reviewed by the Audit Committee and approved by Monarch Gold Corporation's Board of Directors on November 23, 2020. Unless otherwise indicated, all amounts presented in this MD&A are expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Some statements contained in this MD&A, especially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of the Company that are not based on historical data, are forward-looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other similar terms and expressions. These statements are based on information available at the time they are made, on assumptions and expectations by management, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section entitled Risks and uncertainties). These forward-looking statements include, but are not limited to, the Company's business objectives. The actual results for the Company could differ materially from those expressed or implied in these forward-looking statements. As such, it is recommended not to place undue reliance on forward-looking statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. Except if the applicable legislation requires it, the Company does not intend to update these forward-looking statements to reflect, in particular, new information or future events, and it is by no means committed to doing so.

DESCRIPTION OF THE COMPANY AND INTRODUCTION TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS

SpinCo is an emerging gold mining company whose objective is to continue its expansion through its large portfolio of quality projects located in the Abitibi mining camp in Québec, Canada. The SpinCo owns gold properties including the Beaufor mine, the Croinor Gold and McKenzie Break advanced projects, the Swanson exploration project, as well as the Beacon mill.

The combined carve-out Financial Statements of Monarch Mining SpinCo are being prepared as part of a proposed plan of arrangement (the "Arrangement") involving Monarch Gold Corporation ("Monarch") and Yamana Gold Inc. ("Yamana") pursuant to which Yamana will ultimately acquire the Wasamac property and the Camflo property and mill through the acquisition of all of the outstanding shares of Monarch

Under the Arrangement, Monarch will first complete a spin-out to its shareholders, through a newly-formed company, SpinCo Inc. that will hold the assets and liabilities that will not be sold to Yamana, and which will comprise the following:

- i. The Beaufor mine, the McKenzie Break property, the Croinor Gold property, the Swanson property and the Beacon Gold mill and property and all assets and liabilities related to these properties (collectively the "Transferred Assets"); and
- ii. A net cash amount of \$14 million.

Accordingly, the combined carve-out financial statements of SpinCo comprise the activities of the Transferred Assets. SpinCo historically did not exist as a separate legal and reporting group and no separate financial statements were therefore prepared.

The Entity has historically incurred operating losses and cash outflows related to the operation, exploration and development of its properties. To date, the Entity has financed its activities mainly through funding provided by Monarch. The Entity's ability to ultimately achieve operating income in the future depends on the ability to develop its mining properties and achieve commercial production, and on its ability to raise additional funding to finance its operations.

The Entity believes that it has sufficient liquidity to meet its obligations over the next 12 months with the support of Monarch. In addition, under the Arrangement, the Entity will have net cash of \$14 million at closing. Also, after closing of the Arrangement, the Entity's business plan is dependent on raising funds to pursue the development of its projects. There can be no assurance that the Entity 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 Entity or that they will be available on terms acceptable to the Entity.

In June 2019, the Entity temporarily suspended the operations of the Beaufor mine, which was placed in care and maintenance.

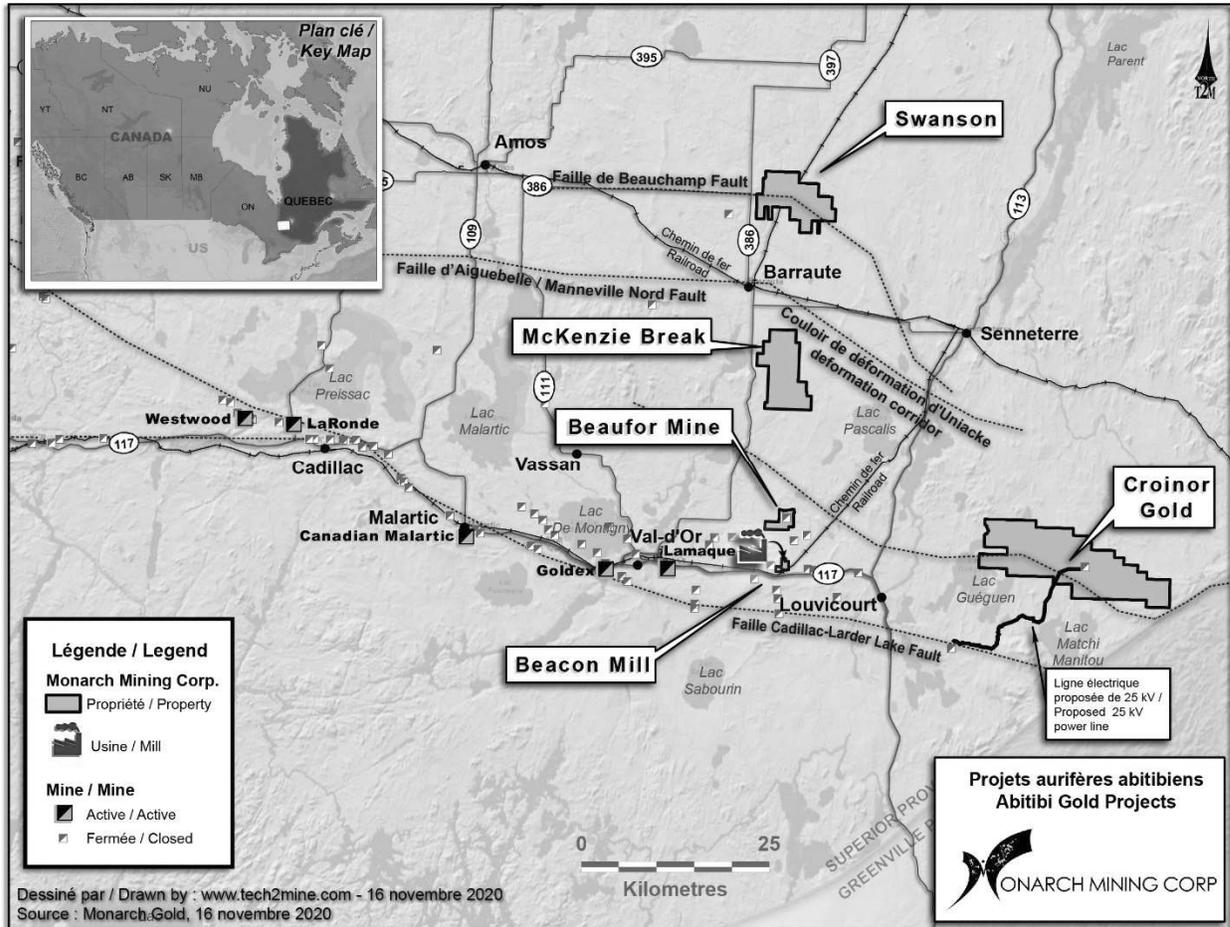
Monarch was incorporated on February 16, 2011 under the Canada Business Corporations Act. The head office address is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec, J0R 1R0.

Monarch Mining Corporation was incorporated on November 11, 2020 under the Canada Business Corporations Act to continue the activities of SpinCo upon approval of the Arrangement by the shareholders. The head office address is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec, J0R 1R0.

Marc-André Lavergne, Eng., Vice-President Operations and Community Relations, is the Company's qualified person within the meaning of NI 43-101 who has reviewed and verified the technical content of this MD&A.

The basis of preparation and measurement basis used for the combined carve-out financial statements are detailed in note 2(B) to the combined carve-out financial statements of SpinCo as at September 30, 2020 and for the three month periods ended September 30, 2020 and 2019, and as at June 30, 2020, 2019, 2018 and July 1, 2017 and for the the years ended June 30, 2020, 2019 and 2018.

LOCATION OF PROPERTIES



HIGHLIGHTS AS OF SEPTEMBER 30, 2020

- The the balance of purchase price of the Beacon property, which includes the Beacon mill with a capacity of 750 tons per day, was fully repaid.

HIGHLIGHTS AS OF JUNE 30, 2020

- On May 7, 2020, the Entity entered into an agreement with the Caisse de dépôt et placement du Québec to sell a 3% net smelter return royalty on gold production at the Beaufor mine for \$5 million.
- On February 25, 2020, the Entity completed the acquisition of mining claims adjacent to the McKenzie Break property.

HIGHLIGHTS AS OF JUNE 30, 2019

- On March 29, 2019, the Entity early settled a balance of the purchase price of the McKenzie Break and Swanson properties of \$800,000.

HIGHLIGHTS AS OF JUNE 30, 2018

- On August 3, 2018, the Entity announced the filing on SEDAR of a National Instrument 43-101 technical report for its Swanson project.
- On July 19, 2018, the Entity announced the filing on SEDAR of a National Instrument 43-101 technical report for its McKenzie Break project.
- On March 28, 2018, the Entity announced the filing on SEDAR of a National Instrument 43-101 technical report for its Croinor Gold project.
- On December 21, 2017, the Entity entered into an agreement to acquire the McKenzie Break and Swanson properties.
- On October 2, 2017, Monarch acquired all the mining assets of Richmond Mines Inc. ("Richmont") in Quebec. The assets acquired included all of Richmont's claims, mining leases and mining concessions, including the Beaufor mine, the Chimo, Monique and Wasamac properties and all the issued and outstanding shares of Camflo Mill Inc. and Louvem Mines Inc., as well as all plants, mills, buildings, structures, equipment, inventory and property. Of the assets and liabilities acquired as part of this transaction, the Beaufor mine and its related assets and liabilities relate to SpinCo.

Beaufor property (Business combination)

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

In exchange, Monarch issued 34,633,203 shares having a market value of \$12,121,621 and agreed to transfer \$600,000 into a trust account for a 30-month period for future payment of severance payments for employees transferred upon the acquisition of Richmont's Quebec mining assets.

The transaction includes environmental obligations of \$1,246,382 for the Beaufor mine restoration plan, should this facility close in the future. Lastly, the Company will pay Richmont royalty on NSR of 1.0% for the Beaufor property after the Entity has produced 100,000 ounces of gold, following the closing of the Transaction.

The acquisition was accounted for as a business combination under IFRS 3. Of all the assets and liabilities acquired only the Beaufor mine and its related assets and liabilities relate to SpinCo Acquisition-related transaction costs in the amount of \$201,212 were expensed in the consolidated statement of net loss and comprehensive loss.

The following table shows the fair value of the assets acquired and liabilities assumed related to SpinCo which have been recorded against Owner's net investment,

	\$
Fair value of consideration paid:	
Common shares issued by Monarch (recorded in Owner's net investment)	4,106,095
Fair value of net assets acquired:	
Cash	961,301
Deferred income and mining taxes	552,016
Other current assets	3,928,401
Property, plant and equipment, including Beaufor mining property	3,000,000
Current liabilities	(2,029,485)
Asset retirement obligations	(1,246,382)
Finance leases	(1,059,756)
	4,106,095

For the year ended June 30, 2018, revenue from the business combination included in the statement of net earnings was \$23,913,567, and the net loss was \$3,242,785. If the acquisition had occurred on July 1, 2018, management estimates that the revenue would have been \$31,884,756 and the net loss for the year would have been \$4,323,713. In determining these amounts, management has assumed that the fair value adjustments at the acquisition date would have been the same if the acquisition had occurred on July 1, 2018.

Beaufor property (sell of a net smelter return royalty)

On May 7, 2020, the Entity 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 is 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 Entity has repaid the capital invested by the CDPQ as royalty.

The Entity 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 Entity's right to exercise the repurchase option for a period of 5 years.

MONARCH MINING SPINCO

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 Entity 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 carrying 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

Year ended June 30, 2020:

On February 25, 2020, the Entity completed the acquisition of mining claims adjacent to the McKenzie Break property. In consideration, Monarch issued 3,300,000 common shares valued at \$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 by Monarch (recorded in Owner's net investment)	643,500
Transaction costs	6,492
	649,992
Fair value of assets acquired:	
Mining properties	649,992

Croinor property

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

Fayolle property

During the year ended June 30, 2020, the Entity purchased a land lot for an amount of \$42,488.

Year ended June 30, 2018:

On December 21, 2017, the Entity entered into an agreement to acquire the McKenzie Break and Swanson properties from Agnico Eagle Mines Limited ("Agnico").

MONARCH MINING SPINCO

To acquire the McKenzie Break and Swanson properties, the Entity must pay Agnico a total of \$4,600,000, of which \$1,600,000 will be payable in cash and \$3,000,000 is payable in common shares of Monarch over a four-year period. The payments will be distributed as follows and are secured by two mining properties acquired in the transaction:

- on closing: \$600,000 in common shares of Monarch (representing 2,222,222 common shares upon issuance);
- on the first anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch;
- on the second anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch;
- on the third anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch; and
- on the fourth anniversary of the agreement: \$400,000 in cash and \$600,000 in common shares of Monarch.

Agnico will also receive a 1.5% net smelter return royalty for each property. Each royalty may be reduced to 1.0% in exchange for a payment of \$750,000.

Subsequently to this transaction, the Entity purchased a 1.5% net smelter return royalty for the McKenzie Break property for a cash payment of \$64,425 (US\$50,000) and 600,000 common shares of Monarch with a fair value of \$240,000.

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

	\$
Fair value of consideration paid:	
Cash	64,425
Common shares issued by Monarch (recorded in Owner's net investment)	840,000
Purchase price balance payable, discounted at the effective interest rate of 10%	3,137,794
Transaction costs	61,959
	<hr/> 4,104,178
Fair value of assets acquired:	
Mining properties	4,104,178

RESOURCES OF PROPERTIES

	Tons (metric)	Grade (g/t Au)	Ounces
Croinor Gold property ⁽¹⁾			
Measured Resources	80,100	8.44	21,700
Indicated Resources	724,500	9.20	214,300
Total Measured and Indicated	804,600	9.12	236,000
Total Inferred	160,800	7.42	38,400
McKenzie Break property ⁽²⁾			
Indicated Resources (pit constrained)	939,860	1.59	48,133
Indicated Resources (underground)	281,739	5.90	53,448
Total Indicated	1,221,599	2.58	101,581
Total Inferred	574,780	3.46	64,027
Swanson property ⁽³⁾			
Indicated Resources (pit constrained)	1,694,000	1.80	98,100
Indicated Resources (underground)	58,100	3.17	5,900
Total Indicated	1,752,100	1.85	104,100
Total Inferred	74,000	2.96	7,100
Beaufor Mine ⁽⁴⁾			
Measured Resources	74,400	6.71	16,100
Indicated Resources	271,700	7.93	69,300
Total Measured and Indicated	346,200	7.67	85,400
Total Inferred	46,100	8.34	12,400
TOTAL COMBINED ⁽⁵⁾			
Measured and Indicated Resources			527,081
Inferred Resources			121,927

⁽¹⁾ Source: Monarques prefeasibility study (January 19, 2018) and resource estimate (January 8, 2016).

⁽²⁾ Source: NI 43-101 Technical Report on the McKenzie Break Project, April 17, 2018, Alain-Jean Beaugard, P.Geo., and Daniel Gaudreault, Eng., of Geologica Groupe-Conseil Inc. and Christian D'Amours, P.Geo., of GeoPointCom Inc.

⁽³⁾ Source: NI 43-101 Technical Report on the Swanson Project, June 20, 2018, Christine Beausoleil, P.Geo., and Alain Carrier, P.Geo., M.Sc., of InnovExplo Inc.

⁽⁴⁾ Source: NI 43-101 Technical Report on the Mineral Resource and Mineral Reserve Estimates of the Beaufor Mine as at September 30, 2017, Val-d'Or, Québec, Canada, Carl Pelletier, P. Geo. and Laurent Roy, Eng.

⁽⁵⁾ Numbers may not add due to rounding.

OUTLOOK

The SpinCo's mission will be to become a gold producer, while continuing to develop its projects with strong exploration potential. A 42,500-metre drilling program is currently under way at the Beaufor mine to increase the mine's resources with a view to resuming production and exploration is ongoing at McKenzie Break to build the resource on this very promising high-grade gold project.

Furthermore, given the bull market for gold, SpinCo intends to pursue its efforts to find a partner to help put the Croinor Gold deposit into production. The material mined from Croinor Gold and Beaufor could be processed at SpinCo's fully permitted and operational Beacon mill.

MONARCH MINING SPINCO

KEY FINANCIAL DATA

<i>(In dollars)</i>	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEARS ENDED JUNE 30, 2020	YEARS ENDED JUNE 30, 2019	YEARS ENDED JUNE 30, 2018
Revenue	–	3,160,555	6,655,313	20,768,083	23,913,567
Cost of sales	–	1,791,234	3,675,682	19,389,065	24,788,510
Gross margin	–	1,368,921	2,979,631	1,379,018	(874,943)
Administrative expenses	466,477	549,695	1,820,841	3,781,486	3,383,205
Care and maintenance expenses	324,933	596,069	2,332,816	312,114	–
Exploration expenses	1,091,599	–	99,042	–	1,098,900
Gain on disposal of non-financial assets	11,890	–	3,647,356	–	–
Net earnings (net loss)	(1,745,509)	26,891	2,036,538	(2,000,708)	(5,539,521)
Cash flows from operating activities	(3,671,583)	(565,793)	(897,215)	(5,200,768)	(4,096,542)
Cash flows from financing activities	2,891,011	841,167	(986,163)	9,019,767	12,304,825
Cash flows from investing activities	854,913	(259,190)	1,846,138	(5,469,150)	(6,872,115)

<i>(In dollars)</i>	SEPTEMBER 30, 2020 (UNAUDITED)	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JULY 1, 2017
Cash and cash equivalents	283,813	209,472	246,712	1,896,863	560,695
Total assets	43,707,846	42,534,725	39,460,657	36,616,545	18,186,554
Non-current liabilities	9,416,734	10,557,858	12,538,621	11,450,780	6,683,597
Equity	30,793,219	25,440,750	23,085,800	15,214,398	10,801,369

RECONCILIATION OF NET EARNINGS (NET LOSS) TO EBITDA

<i>(In dollars)</i>	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEARS ENDED JUNE 30, 2020	YEARS ENDED JUNE 30, 2019	YEARS ENDED JUNE 30, 2018
Net earnings (net loss)	(1,745,509)	26,891	2,036,538	(2,000,708)	(5,539,521)
Income and mining taxes	25,563	65,710	239,029	983,092	1,157,938
Finance expense	137,099	161,423	338,663	23,036	94,201
Amortization	20,539	19,319	62,072	910,672	1,303,985
EBITDA ⁽¹⁾	(1,562,308)	273,343	2,676,302	(83,908)	(2,983,397)

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

KEY OPERATING STATISTICS

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
Ounces of gold sold	12,534	14,856
Ounces of gold produced	12,231	15,071
Grade	4.03	4.82
Recovery	98.17	98.76
Key data per ounce of gold (CA\$)		
Average market price	1,668	1,665
Average selling price	1,655	1,608
Production cash costs (Beaufor) ⁽¹⁾	1,594	1,662
All-in sustaining costs (Beaufor) ⁽¹⁾	1,619	1,860
Average exchange rate (CA\$/US\$)	1.32	1.27
Key data per ounce of gold (US\$)		
Average market price	1,264	1,309
Average selling price	1,254	1,267
Production cash costs (Beaufor) ⁽¹⁾	1,207	1,311
All-in sustaining costs (Beaufor) ⁽¹⁾	1,227	1,465

(1) Cash cost of production and overall cost of production are financial performance measures not defined by IFRS without a standardized definition under IFRS. As a result, these measures may not be comparable to similar measures presented by another company. Please refer to the "Non-IFRS Measures" section of this MD&A.

Given that the Beaufor mine was put into care and maintenance mode in June 2019, no operational statistics are presented for the 2020 and 2021 fiscal years.

Although the combined carve-out financial statements of SpinCo are reported in Canadian dollars ("CA\$" or "\$"), the Entity also discloses financial and operating statistics in U.S. dollars. On a quarterly basis, the CA\$ to US\$ exchange rate is adjusted to reflect the actual quarterly rate and year-to-date rate as at the end of each quarter.

REVIEW OF FINANCIAL RESULTS

Quarter ended September 30, 2020

No revenues were generated for the quarter ended September 30, 2020. Revenues for the comparative period consist of the sale of gold that was in inventory as at June 30, 2019, as well as the sale of ounces recovered from the clean-up of the Camflo mill. Revenues for fiscal year 2019 were generated while the Beaufor mine and the Camflo mill were in operation.

For the first quarter of the fiscal year beginning July 1, 2020 and ending June 30, 2021 ("Fiscal 2021"), general and administrative expenses were \$0.47 million for the three-month period ended September 30, 2020 compared to \$0.55 million for the same period last year, mainly due to lower salaries and related benefits slightly off-set by consulting fees which were higher due to the process of various transactions.

Care and maintenance expenses for the first quarter of Fiscal 2021 totaled \$0.3 million compared to \$0.6 million for the same period in Fiscal 2020. These costs began in the first quarter of 2020 at Beaufor. The decrease in the current quarter is due to the change in the assignment of certain employees and facilities.

Exploration expenses amounted to \$1.1 million for the three-month period ended September 30, 2020, compared to \$nil for the three-month period ended September 30, 2019. These expenses are related to exploration activities at the Beaufor mine. The Company resumed exploration work in June 2020 following the CDPQ transaction completed in May 2020.

The Company recorded an exchange gain of \$0.2 million related to the fluctuation of the Canadian dollar against the U.S. dollar. The balance of purchase price denominated in U.S. dollars is mainly subject to foreign currency fluctuations.

The Company reported a net loss of \$1.7 million for the three-month period ended September 30, 2020, compared to net income of \$0.07 million for the corresponding period in Fiscal 2020. This \$1.77 million decrease in net income is mainly due to an increase of \$1.1 million in exploration expenses at the Beaufor mine and a decrease in gross margin of \$1.4 million due to the cessation of production activities.

Year ended June 30, 2020

For the fiscal year beginning July 1, 2019 and ending June 30, 2020 ("Fiscal 2020"), revenue was \$6.7 million compared to \$20.8 million for the same period in Fiscal 2019. Revenue for the current period consists of the sale of gold that was in inventory as at June 30, 2019. Revenue for fiscal year 2019 was generated while the Beaufor mine was in operation.

Cost of sales totalled \$3.7 million, compared to \$19.4 million for the corresponding period of Fiscal 2019. The cost of sales in Fiscal 2020 consisted of the completion of the milling of the last tons of ore from the Beaufor mine. The cost of sales for fiscal year 2019 was recorded while the Beaufor mine was in operation.

Administrative expenses totalled \$1.8 million for the year ended June 30, 2020, compared to \$3.8 million for the previous year, mainly due to reduced administrative activities as a result of placing the Beaufor mine in care and maintenance. The Company also changed the presentation of its expenses to present the care and maintenance expenses of its facility that was previously presented in cost of sales and administrative expenses.

Exploration expenses amounted to \$0.1 million for the year ended June 30, 2020, compared to \$nil for the previous year. These expenses are related to exploration activities at the Beaufor mine. The Company resumed exploration work in June 2020 following the CDPQ transaction completed in May 2020.

Financial expenses increased by \$0.32 million from Fiscal 2019, mainly due to favorable adjustments of \$0.33 million related to asset retirement obligations in Fiscal 2019.

The Company recorded an exchange loss of \$0.1 million related to the fluctuation of the Canadian dollar against the U.S. dollar at the balance sheet date. The balance of purchase price denominated in U.S. dollars is mainly subject to foreign currency fluctuations.

The Company realized a gain on disposal of non-financial assets of \$3.6 million in Fiscal 2020 compared to \$nil for the corresponding fiscal year, due to the disposal of a royalty on the Beaufor property as described above in the Highlights section.

The Company recorded \$0.4 million in other income related to flow-through shares for the twelve-month period ended June 30, 2020, compared to \$1.7 million in the previous year. Exploration expenses eligible for flow-through shares were higher in Fiscal 2019, resulting in a higher flow-through share liability reversal to earnings.

For the year ended June 30, 2020, current and deferred income and mining tax expense totalled \$0.2 million compared to \$1.0 million for Fiscal 2019.

Year ended June 30, 2019

For the fiscal year beginning July 1, 2018 and ending June 30, 2019 (the “2019 fiscal year”), Beaufor mine production was 12,231 ounces of gold.

Precious metals sales decreased from \$23.9 million in 2018 to \$20.8 million in 2019, a decrease of \$3.1 million. This decrease is explained by the decrease in activities at the Beaufor mine, which was subsequently placed in care and maintenance mode at the end of June 2019.

Cost of sales, including depreciation and amortization, totalled \$19.4 million, compared to \$24.8 million in 2018. This decrease is mainly due to lower expenses and definition drilling at the mine during the fourth quarter due to lower activity since early 2019.

Production cash costs of \$1,594 (US \$1,207) per ounce for fiscal 2019 decreased from the reported cost of \$1,662 (US \$1,311) per ounce for fiscal 2018. The rationalization of expenses due to the decrease in activities and the cessation of galleries development work explain this variation.

The all-in sustaining costs (“AISC”) was \$1,619 (US \$1,227) in fiscal 2019 compared to \$1,860 (US \$1,465) in fiscal 2018. The decrease is explained by the decrease in production cash costs and the significant decrease in maintenance costs due to the reduction of activities.

Administrative expenses amounted to \$3.8 million for the year ended June 30, 2019 compared to \$3.4 million for the previous year, mainly due to additional administrative activities resulting from the acquisition of the assets of Richmond Mines in Québec over a twelve-month period in 2019 compared to nine months in the previous year.

Exploration expenses amounted to \$nil for the year ended June 30, 2019, compared to \$1.1 million for the previous year. These expenses are related to exploration activities at the Beaufor mine that was placed in care and maintenance mode at the end of June 2019.

The Company recorded \$1.7 million in other income related to flow-through shares for the twelve-month period ended June 30, 2019, compared to \$1.0 million in the previous year. Exploration expenses eligible for flow-through shares were higher in Fiscal 2019, resulting in a higher flow-through share liability reversal to earnings.

For the year ended June 30, 2019, income taxes expense and deferred mining taxes totalled \$1.0 million compared to \$1.2 million for the 2018 fiscal year.

REVIEW OF PRODUCTION ACTIVITIES

Production activities at the Beaufor mine have been temporarily suspended since late June 2019. The decision to suspend operations was taken in August 2018 and was mainly due to low grades ores mined from Beaufor in previous quarters. This negatively impacted the mine's profitability. As a result, the mine's workforce was reduced in December 2018 to limit operations to the recovery of ounces accessible in the following months while controlling costs. The workforce is again being reduced to what is strictly necessary to ensure the care and maintenance of the mine and its facilities.

During the year ended June 30, 2019, the Beaufor mine's tonnage represented 96,212 tonnes of ore, which was lower than the previous year due to the reduction in activities at the mine. The average grade of milled ore from Beaufor in fiscal 2019 was 4.03 g/t gold. The lower grade than projected for the period was directly related to a high dilution rate from the workings located in the Q Zone and a higher than expected proportion of the low-grade in mining sites.

MONARCH MINING SPINCO

During the year ended June 30, 2018, the Beaufor mine's tonnage represented 98,394 tonnes of ore. The average grade milled was 4.82 g/t of gold for the year, lower than forecasted for the year due to a higher dilution factor from a stope in Zone Q, and a higher than expected proportion of low-grade ore development.

Review of exploration and evaluation activities

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$
Addition to exploration and evaluation assets:				
Salaries, supervision and consultants	76,043	515,582	1,273,665	607,758
Geology and geophysics	67,277	112,201	742,374	1,138,287
Test, sampling and prospecting	5,183	63,026	974,255	150,387
Drilling, equipment rental and other material	11,828	376,830	2,084,611	1,332,680
Lodging, meals and travel expenses	–	1,294	–	1,806
Addition to exploration and evaluation assets	160,331	1,068,933	5,074,905	3,230,918
Balance, beginning of period	14,158,758	13,089,825	8,014,920	4,784,002
Balance, end of period	14,319,089	14,158,758	13,089,825	8,014,920

McKenzie Break

McKenzie Break is a high-grade, narrow, multi-vessel, narrow-grained gold deposit hosted in the Pascalis dioritic batholith and covered with porphyry diorite and mafic and felsic volcanic rocks. In total, the McKenzie Break property now comprises a total of 134 mining claims covering a total area of 5,106.9 ha (51 km²).

Since the acquisition of the property, the Entity has carried out several drilling campaigns. The table and graph below show the best drilling results obtained from these campaigns:

Hole number	Length (m)	From (m)	To (m)	Width* (m)	Grade Au (g/t)
MK-18-205Ext	426	356.5	363.6	7.1	32.30
MK-20-255	392	300.65	315.0	14.35	13.95
MK-18-196	300	254.8	257.4	2.6	61.20
MK-19-250	426	329.0	340.0	11.0	10.50
MK-19-249	432	379.5	393.2	13.7	5.28
MK-19-241	432	363.0	365.1	2.1	26.78
MK-18-216	177	133.3	143.0	9.7	5.76
MK-20-255	392	379.0	381.0	2.0	27.15
MK-19-251	414	334.0	340.0	6.0	7.04
MK-20-253	429	351.8	359.0	7.2	5.34

*The width shown is the core length. True width is estimated to be 90-100% of the core length.

The Entity is currently planning a 4,000-metre drilling program starting this fall to follow-up on these excellent results.

Beaufor Mine

The Entity holds a 100% interest in the Beaufor mine, which consists of two mining leases, one mining concession and 23 mining claims covering an area of 5.9 km². The mine is located approximately 20 kilometers northeast of the town of Val-d'Or, in the Abitibi-Est county, Province of Quebec. The Beaufor mine is an underground mine.

On June 27, 2019, production activities at the Beaufor mine were temporarily suspended and the mine was placed under care and maintenance.

On May 7, 2020, SpinCo announced an agreement with the Caisse de dépôt et placement du Québec for the sale of a 3% net smelter royalty on net smelter revenues from gold production at the Beaufor mine in consideration of \$5 million.



Since then, the Entity has undertaken one of the most important exploration programs on the Beaufor property with a total of about 270 drill holes over 42,500 metres. Exploration drilling will include several phases, including:

- Underground work in the vicinity of the mine's exploration targets (high-grade intervals and isolated resource blocks)
- Near-surface and mine targets
- Targets under the current mine bottom
- Regional exploration targets

Underground work in the vicinity of the mine's exploration targets

This initial phase represents the bulk of the exploration drilling and will focus on underground targets close to the mine, as defined by the recent 3D modeling. These holes will test zones located near historical high-grade intervals intersected in the drilling and associated with known vein structures that remain open. All of these targets are defined by high-grade intersections located in proximity to existing underground infrastructure, which requires minimal development for mining purposes. These defined targets are all located above the lowest level of mine development, at less than 900 metres in depth. Testing of these targets can easily be carried out from the available underground developments, with the majority of drill holes being less than 200 metres in length.

The second type of targets related to underground targets in the vicinity of the mine will be the follow-up of isolated resource blocks that still have significant expansion potential. These resource blocks are generally defined by a single hole along a known mineralized structure, but continuity has not been demonstrated due to a lack of nearby drilling.

Near Surface and Mine Targets

A surface drilling program in the vicinity of the mine will follow to test both high-grade targets and isolated resource blocks that cannot be adequately tested from the existing underground infrastructure. These targets are located in the vicinity of the mine and at a maximum depth of 300 metres from surface.

Targets under the current mine fund

An exploration drilling program to test the zone below the current bottom of the mine (over 900 metres deep) will be undertaken to continue testing the extension of known mineralization at depth, where mining operations prior to the temporary shutdown had ceased. Recent widely-spaced drilling below the bottom of the mine has confirmed the extension of the mineralization. Drilling will target specific zones defined by previous high-grade intersections in an area up to 230 metres below the current workings.

Regional Exploration Targets

The final phase of exploration drilling will consist of surface drilling to test regional targets defined by historical intersections and potential structures beyond the current limits of underground infrastructure.

Croinor Gold

On January 19, 2018, the Entity announced the positive results of the pre-feasibility study prepared by Innovexplo Inc. The results of the pre-feasibility study show that the Croinor project is economically viable and could become a low-cost mine. The study is also used as a basis for making a production decision since all the permits are currently held by Innovexplo Inc.

Feasibility Study Highlights :

- High return: pre-tax internal rate of return of 47.56%, net present value of \$32 million.
- Low cost of production: cash cost of production of \$818/ounce (US\$639/ounce) and overall cost of production of \$1,155/ounce (US\$902/ounce).
- Based on a gold price of US\$1,280 and a rate of 1.28 CAD/USD.
- The study does not include drilling after November 2015.

The technical report summarizing the results of the pre-feasibility study is available on the Monarch website.

It is also important to mention that the results of the 2018 drilling program totalling 26,580 metres are not part of the pre-feasibility study and could considerably improve the project's potential.

The next phase will focus on upgrading the deposit through definition drilling and exploration drilling to test high potential targets on the 151 km² property. The Entity will also analyze the various mining options in order to optimize the yield of the deposit.

Swanson

On August 3, 2018, the Entity reported an NI 43-101 pit-constrained resource of 98,100 ounces in the indicated category on the property, as well as an underground resource of 5,900 ounces in the indicated category, for a total of 104,100 ounces of gold. An analysis of the economic potential of the deposit will have to be carried out in the context of the current gold price.

MONARCH MINING SPINCO

FINANCIAL POSITION

<i>(In dollars)</i>	AS AT SEPTEMBER 30 2020	AS AT JUNE 30 2020	EXPLANATIONS OF VARIATIONS
Current assets	5,921,458	4,024,852	The increase in current assets is mainly due to funds receivables from a financial guarantee.
Non-current assets	37,786,388	38,509,873	Non-current assets decreased mainly due to the replacement of certain financial guarantees by an insurance bond.
Total assets	43,707,846	42,534,725	
Current liabilities	3,497,893	6,536,117	Current liabilities decreased mainly as a result of the repayment of a balance of purchase price.
Non-current liabilities	9,416,734	10,557,858	Non-current liabilities decreased mainly as a result of the repayment of a balance of purchase price.
Total liabilities	12,914,627	17,093,975	
Equity	30,793,219	25,440,750	Equity increased mainly as a result of funding by Monarch during the year.

<i>(In dollars)</i>	AS AT JUNE 30 2020	AS AT JUNE 30 2019	EXPLANATIONS OF VARIATIONS
Current assets	4,024,852	3,382,880	The increase in current assets is mainly due to an increase in balance of sale, partially offset by lower inventory related to the decrease of activities.
Non-current assets	38,509,873	36,077,777	Long-term assets increased mainly due to the exploration activities carried out during the year.
Total assets	42,534,725	39,460,657	
Current liabilities	6,536,117	3,836,236	Current liabilities increased mainly due to the increase in current portion of certain payments of balance of purchase price.
Non-current liabilities	10,557,858	12,538,621	Long-term liabilities decreased mainly due to the certain payments of balance of purchase price becoming current partially offset by the new liability of the royalty buy-back option.
Total liabilities	17,093,975	16,374,857	
Equity	25,440,750	23,085,800	Equity increased mainly as a result of of funding by Monarch during the year.

MONARCH MINING SPINCO

<i>(In dollars)</i>	AS AT JUNE 30 2019	AS AT JUNE 30 2018	EXPLANATIONS OF VARIATIONS
Current assets	3,382,880	5,776,045	The decrease in current assets is mainly due to the funds used to invest in the properties.
Non-current assets	36,077,777	30,840,500	Long-term assets increased mainly due to exploration activities during the year.
Total assets	39,460,657	36,616,545	
Current liabilities	3,836,236	9,951,367	Current liabilities decreased largely as a result of the decrease in trade and other payables due to the reduction in production activities, to the repayment of current portion of long-term debt and the changes in contract liabilities.
Non-current liabilities	12,538,621	11,450,780	Long-term liabilities remain at the same level, except for deferred mining taxes which increased by \$800,000.
Total liabilities	16,374,857	21,402,147	
Equity	23,085,800	15,214,398	Equity increased mainly as a result of of funding by Monarch during the year.

<i>(In dollars)</i>	AS AT JUNE 30 2018	AS AT JULY 1 2017	EXPLANATIONS OF VARIATIONS
Current assets	5,776,045	913,394	The increase in current assets is mainly due to the acquisition of Beaufor inventory.
Non-current assets	30,840,500	17,273,160	Non-current assets increased primarily due to the acquisition of the Beaufor mine, the acquisition of the McKenzie Break and Swanson properties and exploration realized in the year.
Total assets	36,616,545	18,186,554	
Current liabilities	9,951,367	701,588	Current liabilities increased primarily due to new contract liabilities signed with Auramet, the acquisition of mining property the acquisition of the Beaufor mine.
Non-current liabilities	11,450,780	6,683,597	Non-current liabilities increased primarily due to the balance of purchase price payable resulting from the acquisition of the McKenzie Break and Swanson properties, and the assets retirement obligations related to the acquisition of the Beaufor mine.
Total liabilities	21,402,147	7,385,185	
Equity	15,214,398	10,801,369	Equity increased mainly as a result of of funding by Monarch during the year.

LIQUIDITY AND SOURCES OF FINANCING

The Entity's strategy is based on achieving positive cash flows from operations to internally fund operating, capital and project development requirements. The Entity's historical activities have been financed from funding received from Monarch. Upon approval of the Arrangement, the Entity's activities will be pursued by a newly-formed company, Monarch Mining Corporation, with \$14 million in cash. See section entitled, "Description of the Company and Introduction to the Combined carve-out Financial Statements". Material increases or decreases in the Entity's liquidity and capital resources will be substantially determined by the success or failure of the Entity's operations, exploration, and development programs, the ability to obtain equity or other sources of financing.

The Entity believes that it has sufficient liquidity to meet its obligations over the next 12 months with the support of Monarch. In addition, under the Arrangement, the Entity will have net cash of \$14 million at closing. After closing of the Arrangement, the Entity's business plan is dependent on raising funds to pursue the development of its projects. There can be no assurance that the Entity 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 Entity or that they will be available on terms acceptable to the Entity.

CASH FLOWS

<i>(In dollars)</i>	QUARTER ENDED SEPTEMBER 30, 2020	QUARTER ENDED SEPTEMBER 30, 2019	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Net cash position from (used in)					
Operating activities	(3,671,583)	(565,793)	(897,215)	(5,200,768)	(4,096,542)
Financing activities	2,891,011	841,167	(986,163)	9,019,767	12,304,825
Investing activities	854,913	(259,190)	1,846,138	(5,469,150)	(6,872,115)
Increase (decrease) in cash and cash equivalents	74,341	16,184	(37,240)	(1,650,151)	1,336,168
Cash and cash equivalents, beginning of period	209,472	246,712	246,712	1,896,863	560,695
Cash and cash equivalents, end of period	283,813	262,896	209,472	246,712	1,896,863

Operating activities

During the quarter ended September 30, 2020, cash flows used in operating activities of \$3.7 million were mainly due to the operating loss recorded and \$1.8 million receivable from a financial guarantee.

During the year ended June 30, 2020, cash flows used in operating activities of \$0.9 million were mainly due to other income of \$3.6 million recorded partly off-set by the operating earnings recorded in fiscal 2020.

For the year ended June 30, 2019, cash flows used in operating activities of \$5.2 million were mainly due to a decrease in trade and other payables given that Beaufor was placed in care and maintenance mode, an increase of other income related to flow-through shares due to exploration activities during the year, changes in contract liabilities and net loss for the year, partly offset by amortization expenses.

For the year ended June 30, 2018, cash flows used in operating activities of \$4.1 million were mainly due to the operating loss recorded, changes in contract liabilities, an increase of other income related to flow-through shares due to exploration activities during the year, partly offset by amortization expenses and a significant increase of trade and other payables due to the acquisition of the Beaufor mine.

Financing activities

For the three-month period ended September 30, 2020, financing activities generated \$2.9 million in cash flows, due to a \$7.9 million from a net investment from Monarch, partially offset by \$4.1 million repayment of a balance of purchase price.

For the twelve-month period ended June 30, 2020, financing activities used \$1.0 million in cash flows, due to a \$0.4 million repayment of a balance of purchase price, a \$0.4 million repayment of lease liabilities, and a \$0.2 million net investment from Monarch.

For the twelve-month period ended June 30, 2019, cash flows from financing activities totalled \$9.0 million, including \$11.2 million from a net investment from Monarch, partially offset by \$1.7 million for the repayment of a balance of purchase price and \$0.5 million for the repayment of lease liabilities.

For the twelve-month period ended June 30, 2018, cash flows from financing activities totalled \$12.3 million, including \$7.7 million from a net investment from Monarch and \$5.0 proceeds from contract liabilities, partially offset by \$0.4 million for the repayment of lease liabilities.

Investing activities

During the quarter ended September 30, 2020, cash inflows from investing activities totalled \$0.9 million, including \$1.3 million from receipt of in trust deposits as the replacement made by financial guarantees with insurance bond, partially offset by a \$0.3 million increase in exploration and evaluation assets.

During the year ended June 30, 2020, cash flows from investing activities totalled \$1.8 million, including \$3 million from the disposal of royalties, partially offset by a \$0.9 million increase in exploration and evaluation assets.

For the year ended June 30, 2019, investing activities used \$5.5 million in cash flows, mainly due to a \$6.0 million increase in exploration and evaluation assets.

For the year ended June 30, 2018, investing activities used \$6.9 million in cash flows, mainly due to a \$2.7 million increase in exploration and evaluation assets and \$3.4 million related to the acquisition of property, plant and equipment.

RELATED PARTY TRANSACTIONS**A) Intercompany transactions**

In the normal course of business, SpinCo purchases and sells services from/to various subsidiaries or divisions of Monarch. These transactions occurred in the normal course of operations and were measured at exchange amount, which is the amount established and accepted by the parties.

The below includes transactions with Monarch and its group companies that are outside of the SpinCo activities. Monarch is a related party as it controlled the SpinCo activities during the periods presented. The most significant related party transactions are described below. These costs represent mainly head office labor costs and information technology services.

MONARCH MINING SPINCO

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Allocation of corporate expenses included in administration expenses	375,000	525,000	3,755,694	5,292,510	3,732,401
	375,000	525,000	3,755,694	5,292,510	3,732,401

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Milling and cleaning fees included in cost of sales	–	1,652,643	2,436,287	2,916,366	3,443,790
	–	1,652,643	2,436,287	2,916,366	3,443,790

Due to and from related parties

Due to and from related parties are in connection with normal course of operations and are generally short-term in nature.

B) Total compensation

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Salaries, directors' fees, premiums and other benefits	666,338	732,566	2,108,917	8,798,996	10,240,417
Share-based payments	82,732	68,604	179,332	207,588	124,850
Defined contribution plan	20,913	18,195	52,145	298,081	318,203
Government plans	50,816	96,060	232,016	1,130,065	1,415,335
	820,799	915,425	2,572,410	10,434,730	12,098,805

C) Key management personnel compensation

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

Key management personnel compensation includes the following expenses:

	QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)	QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)	YEAR ENDED JUNE 30, 2020	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$	\$	\$	\$
Salaries, directors' fees, premiums and other benefits	150,988	181,810	641,867	522,669	465,459
Defined contribution plan	67,014	26,412	147,052	155,691	39,071
Government plans	6,107	3,639	11,618	18,337	4,489
Share-based payments	7,783	9,055	39,343	33,991	21,959
	231,892	220,916	839,880	730,688	530,978

OFF-BALANCE SHEET AGREEMENTS

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

COMMITMENTS AND CONTINGENCIES

The Entity had the following royalties as at September 30, 2020 and June 30, 2020:

Properties	Net smelters return (NSR) royalties
Beaufor	<ul style="list-style-type: none"> ➤ 1.0% payable after the Company has produced 100,000 ounces of gold ➤ 3.0% (1% reduction when royalties paid are greater than \$5 million and 1% redeemable for \$2.5 million until May 2025) ➤ Others
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 \$1 million)

NON-IFRS FINANCIAL MEASURES

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

MONARCH MINING SPINCO

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

YEAR ENDED JUNE 30, 2019 (in dollars, except for per ounce data)	BEAUFOR	CORPORATE	CONSOLIDATED
Ounces of gold sold	12,534	–	12,534
Cost of sales	19,389,065	–	19,389,065
Corporate general and administrative costs	1,481,653	–	1,481,653
Depreciation	(843,229)	–	(843,229)
By-product credits	(49,433)	–	(49,433)
Cost of sales, net of depreciation, other sales and by-product credits	19,978,055	–	19,978,055
Production cash costs (\$/ounce)	1,594	–	1,594
Sustaining costs	312,114	–	312,114
Corporate general and administrative costs	–	2,378,510	2,378,510
All-in sustaining costs	20,290,169	2,378,510	22,668,679
All-in sustaining costs (\$/ounce)	1,619	190	1,809

YEAR ENDED JUNE 30, 2018 (in dollars, except for per ounce data)	BEAUFOR	CORPORATE	CONSOLIDATED
Ounces of gold sold	14,856	–	14,856
Cost of sales	24,788,510	–	24,788,510
Corporate general and administrative costs	1,208,500	–	1,208,500
Depreciation	(1,255,076)	–	(1,255,076)
By-product credits	(55,706)	–	(55,706)
Cost of sales, net of depreciation, other sales and by-product credits	24,686,228	–	24,686,228
Production cash costs (\$/ounce)	1,662	–	1,662
Sustaining costs	2,944,563	–	2,944,563
Corporate general and administrative costs	–	1,206,161	1,206,161
All-in sustaining costs	27,630,791	1,206,161	28,836,952
All-in sustaining costs (\$/ounce)	1,860	81	1,941

The production cash costs include the operating costs of mining sites such as mining, processing, administration, royalties, production taxes, excluding depreciation, reclamation, capital expenditures and exploration and evaluation costs. These costs are then divided by the ounces of gold attributable to commercial production sold by the Entity 's mining sites to obtain the cash cost of production measure per ounce sold. This measure, along with revenues, is considered one of the key indicators of an Entity 's ability to generate operating profits and cash flows from its mining activities.

The Entity believes that, while relevant, the current cash production costs measure commonly used in the gold industry does not take into account the costs necessary to maintain production, and therefore does not present a complete picture of operating performance or the ability to generate cash flow from its current operations. The all-in sustaining costs (AISC) measure begins with the cash production costs and includes sustaining capital expenditures, exploration and evaluation costs, and the Entity 's general and administrative costs. Underground mine development costs related to production areas, ongoing replacement of mining equipment and spare parts, tailings and other facilities, capitalized contaminated site exploration costs and other capital expenditures are classified as sustaining capital.

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

As a result, this measure is not representative of all of the Entity 's cash expenses and does not indicate the Entity 's overall profitability. The calculation of the AISC per ounce sold is based on the Entity 's interest in the sales of its gold mine. The use of an attributable interest presentation is a more accurate way to measure economic performance than using a consolidated basis. The Entity presents the measure of AISC per ounce sold based on attributable sales, compared to the Entity 's current cash production costs presentation, which is based on attributable production.

The overall cost of production measure does not have a standardized meaning prescribed by IFRS, is unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for performance measures established in accordance with IFRS. This measure is not necessarily representative of net income or cash flows from operating activities as determined under IFRS.

SIGNIFICANT ACCOUNTING POLICIES

Full disclosure and a description of Entity 's significant judgments and estimates are detailed in the combined carve-out financial statements for the three months ended September 30, 2020 and 2019 and for the years ended June 2020, June 2019 and June 2018.

SIGNIFICANT JUDGMENTS AND ESTIMATES

Full disclosure and a description of Entity 's significant judgments and estimates are detailed in the audited combined financial statements for the years ended June 30, 2020, 2019 and 2018.

FINANCIAL INSTRUMENTS

The description of the Entity's financial instruments, financial risk management and capital management are included in Notes 22 and 23 of the combined carve-out financial statements for the three months ended September 30, 2020 and 2019 and for the years ended June 2020, June 2019 and June 2018.

RISK FACTORS

As a mining company, the Entity is exposed to financial and operational risks related to the very nature of its operations. These risks could have an impact on the financial position and operating income. Therefore, an investment in Entity 's common shares should be considered a speculative investment. Purchasers or potential holders of common shares should pay particular attention to Entity 's risk factors.

For more information on risks and uncertainties, please refer to the "Risk Factors" section of Monarch information circular form filed on SEDAR (www.sedar.com).

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

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

**APPENDIX G
SPINCO OPTION PLAN**

See attached.

MONARCH MINING CORPORATION STOCK OPTION PLAN

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STOCK OPTION PLAN

The purpose of the Plan, considered as a rolling stock option plan pursuant to the policies of the Exchange, is to provide Monarch Mining Corporation (the “**Corporation**”) with a share-based mechanism to attract, motivate and retain Eligible Participants whose skills, performance and loyalty to the Corporation or any of its subsidiaries, as the case may be, are necessary to its success, image, reputation or activities.

SECTION 1 DEFINITIONS

For the purposes of this Plan, capitalised terms used herein that are not otherwise defined shall have the meanings ascribed thereto in Schedule “A” attached hereto.

SECTION 2 SHARES RESERVED FOR ISSUANCE

- 1) Subject to adjustment as provided in subsection 4(9) of this Plan, the aggregate number of Shares that may be issuable pursuant to this Plan combined with all of the Corporation’s other security-based compensation mechanisms, including the Corporation’s restricted share unit plan, shall not exceed 10% of the issued and outstanding Shares.
- 2) The number of Shares issued to any one Eligible Participant, within any one-year, and issuable to any one Eligible Participant, at any time, pursuant to this Plan combined with all of the Corporation’s other security-based compensation mechanisms, including the Corporation’s restricted share unit plan, shall not, in aggregate, exceed 5% of the total number of issued and outstanding Shares.
- 3) The number of Shares issued to Insiders, within any one-year period, and issuable to Insiders, at any time, pursuant to all securities-based compensation mechanisms, including this Plan and the Corporation’s restricted share unit plan, may not exceed 10% of the total number of issued and outstanding Shares.
- 4) The maximum annual grant date value of awards issued to non-employee directors, pursuant to all securities-based compensation mechanisms, including this Plan and the Corporation’s restricted share unit plan, is \$150,000 of which no more than \$100,000 may be issued in the form of Stock Options.

SECTION 3 GRANT OF STOCK OPTIONS

- 1) The Board of Directors may, in its sole discretion, determine to which Eligible Participants Stock Options will be granted and the number of Shares reserved for issuance pursuant to the Stock Options. The Board of Directors shall grant Stock Options in accordance with such determination. The grant of Stock Options to an Eligible Participant at any time shall not entitle such Eligible Participant to receive subsequent Stock Options.
- 2) The Plan does not provide any guarantee against any loss or with respect to any profit which may result from fluctuations in the price of the Shares.
- 3) Subject to its withholding obligations under the various taxation Laws, the Corporation does not assume responsibility for the income tax or other tax consequences for the Optionholders in connection with the Plan and Optionholders are advised to consult with their own tax advisers with respect to such matters.
- 4) Following the approval by the Board of Directors of the grant of Stock Options to an Eligible Participant, the Secretary of the Corporation, or any other person designated by the Board of Directors, shall forward to the Eligible Participant a Notice of Grant setting out the Date of Grant, the number

of Stock Options, the Exercise Price, the Vesting Dates, as the case may be, the Expiry Date and any additional terms of the grant, substantially in the form attached hereto as Schedule "B", a copy of the Plan and any other relevant documentation required by law.

- 5) In the event of an inconsistency between the terms of the Plan and the Notice of Grant, the Notice of Grant shall prevail provided that the terms of the Notice of Grant do not conflict with the rules of any Exchange upon which the Shares of the Corporation are listed.
- 6) No Optionholder, nor his legal representatives, nor his legatees will be, or will be deemed to be, a shareholder of the Corporation with respect to the Shares underlying his Stock Options, unless and until certificates for such Shares are issued to him, as the case may be, upon the due exercise of its Stock Options in accordance with the terms of the Plan.

SECTION 4 TERMS AND CONDITIONS OF STOCK OPTIONS

1) Number of Shares – Expiration or Termination of Stock Options

Stock Options shall not be granted under the Plan for a number of Shares in excess of the maximum number of Shares reserved for issuance under the Plan, provided that if any Stock Option expires or terminates without having been exercised in full, the number of Shares reserved for issuance pursuant to Stock Options expired or terminated shall again be available for issuance under the Plan.

2) Expiry and Vesting

- a) Subject to subsection 4(3), the Expiry Date of a Stock Option shall be the 10th anniversary of the Date of Grant unless a shorter period of time is otherwise set by the Board of Directors and set forth in the Notice of Grant at the time the particular Stock Option is granted.
- b) The Vesting Dates of the Stock Options shall correspond to the vesting periods determined by the Board of Directors at the time of grant of such Stock Options, as set out in the Notice of Grant relating thereto, subject to the accelerated vesting provision as well as the provisions relating to amendments set forth in Section 8 hereof.
- c) An Optionholder may only exercise its Stock Options that are fully vested.

3) Expiry Date

Any Stock Option or part thereof not exercised prior to the Expiry Date shall terminate and become null, void and of no effect. Notwithstanding the foregoing and subsection 4(2) hereof, the Expiry Date of a Stock Option shall be determined as follows:

- a) **Death** - The Expiry Date of a Stock Option held by an Optionholder that became vested prior to his or her death shall be the earlier of:
 - (i) the Expiry Date shown on the relevant Notice of Grant; or
 - (ii) one year following the Optionholder's death.
- b) **Termination of investor relations activities** - Should a person employed to perform investor relations activities cease to be an Eligible Participant for any reason other than death (such as by reason of disability, resignation, dismissal or termination of contract), then the Expiry Date of its Stock Option vested at the latest on the date such person ceases to be an Eligible

Participant (the “**Date of Termination of Investor Relations Activities**”), shall be the earlier of:

- (i) the Expiry Date shown on the relevant Notice of Grant; or
 - (ii) 30 days from the Date of Termination of Investor Relations Activities.
- c) **Termination** – Should a person cease to be an Eligible Participant for any reason other than death or the termination of investor relations activities (such as by reason of disability, resignation, dismissal or termination of contract), then the Expiry Date of its Stock Option vested at the latest on the date such person ceases to be an Eligible Participant (the “**Termination Date**”), shall be the earlier of:
- (i) the Expiry Date shown on the relevant Notice of Grant; or
 - (ii) one year from the Termination Date.
- d) **Termination Date or Date of Termination of Investor Relation Activities** – For the Purpose of the Plan, unless otherwise determined by the Board of Directors, an Eligible Participant’s employment or engagement with the Corporation or a subsidiary thereof shall be considered to have ceased, effective the last day of the Eligible Participant’s actual and active employment or services with the Corporation or subsidiary, whether such day is selected by agreement with the Eligible Participant, unilaterally by the Corporation or subsidiary and whether with or without prior notice to the Eligible Participant. No period of notice nor payment in lieu of such notice that ought to have been given under applicable Laws in respect of termination of employment or other engagement will be considered in determining entitlement under the Plan.

4) Expiry of Non - Vested Stock Options

Subject to the discretionary power of the Board of Directors, outstanding Stock Options that are not vested as of the date the Optionholder ceases to be an Eligible Person for any reason such as disability, resignation, dismissal or termination of contract, shall terminate on such date, cannot be vested and become null, void and of no effect.

5) Extension of Exercise Period

The Expiry Date of any Stock Options that expires during a blackout period will be extended for a period of ten Business Days following the end of such blackout period.

6) Termination for Cause

Notwithstanding anything to the contrary in this Section 4, if an Eligible Participant who is an Employee or Consultant of the Corporation, or any of its subsidiaries, is terminated for cause (serious reason, as referenced in Article 2094 of the Civil Code of Québec), all Stock Options held by such Eligible Participant shall immediately terminate and become null, void and of no effect on the date on which the Corporation, or any of its subsidiaries, gives a notice of termination for cause to such Eligible Participant.

7) Exercise Price

With respect to any Stock Options, the Exercise Price of the Shares underlying such Stock Options corresponds to the market price of the Shares at the closing of the Exchange on the exchange day

immediately preceding the Date of Grant, or if no Shares were negotiated on this day, the arithmetic average of the last bid and ask prices of the Shares on the Exchange (the “**Exercise Price**”).

8) Assignment and Transfer of Stock Options

Stock Options (and any rights thereunder) shall be non-assignable and non-transferable unless by legacy or inheritance. Stock Options may be exercised only by the Optionholder’s legal representative within the first year following the Optionholder’s death.

9) Adjustments

If prior to the complete exercise of any Stock Option, a stock dividend is paid on the Shares or if the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for by securities or assets of the Corporation or of any other corporation (collectively, the “**Event**”), a Stock Option, to the extent that it has not been completely exercised, shall entitle the Optionholder, upon the exercise of the Stock Option in accordance with the terms thereof, to such number and kind of shares or other securities or property to which such Optionholder would have been entitled as a result of the Event had such Optionholder actually exercised the unexercised portion of the Stock Options immediately prior to the occurrence of the Event and the Exercise Price shall be adjusted accordingly as if the originally optioned Shares of the Corporation were being purchased hereunder. No fractional Shares or other security shall be issued upon the exercise of any Stock Option and accordingly, if as a result of the Event, an Optionholder would become entitled to a fractional Share or other security, such Optionholder shall have the right to purchase only the next lowest whole number of Shares or other security and no payment or other adjustment will be made with respect to the fractional interest so disregarded. Upon the occurrence of the Event, the maximum number of Shares reserved for issuance under the Plan shall be appropriately adjusted.

SECTION 5 CHANGE OF CONTROL

1) Acceleration of Vesting and Cancellation – Change of Control

In the event of a Change of Control, other than in the case of paragraph 2) below: (i) all outstanding Stock Options then held by Optionholders which have not yet become fully vested will become fully vested, as of immediately prior to such Change of Control; and (ii) the Board of Directors may, but shall not be obligated to, cancel all outstanding Stock Options, for fair value (as determined in the sole discretion of the Board of Directors) which may equal the excess, if any, of the Fair Market Value of the Shares subject to such Stock Options on the date of cancellation over the aggregate Exercise Price of such Stock Options. The Corporation shall promptly notify each Optionholder of any acceleration of the Vesting Dates and cancellation of Stock Options, accordingly.

2) Mergers and Consolidations

In the event the Corporation is a consenting party to a Change of Control, outstanding Stock Options shall be subject to the agreement affecting such Change of Control and Optionholders shall be bound by such agreement. Such agreement, without the Optionholders’ consent, may provide for:

- (i) the continuation of such outstanding Stock Options by the Corporation (if the Corporation is the surviving or acquiring corporation);
- (ii) the assumption of the Plan and such outstanding Stock Options by the surviving or acquiring corporation or its parent; or

- (iii) the substitution or replacement by the acquiring or surviving corporation or its parent of options with substantially the same terms for such outstanding Stock Options.

SECTION 6 EXERCISE OF STOCK OPTIONS

1) Exercise of Stock Options

Stock Options may be exercised only by the Optionholder or by his legal representative. Stock Options may be exercised in whole or in part in respect of a whole number of Shares at any time or from time to time prior to the Expiry Date by delivering to the Corporation an Exercise Notice substantially in the form attached hereto as Schedule "C" and a certified cheque or a bank draft payable to the Corporation in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Stock Options.

2) Issue of Shares

As soon as practicable following the receipt of the Exercise Notice, the Corporation shall deliver to the Optionholder a certificate representing the Shares so purchased.

3) Conditions on Issue

The issue of Shares by the Corporation pursuant to the exercise of any Stock Option is subject to compliance with all Laws applicable to the issuance, distribution and listing on the Exchange of such Shares. The Optionholder shall: (i) comply with all Laws, (ii) provide the Corporation with any information, report and/or undertaking required to comply with all Laws and (iii) fully co-operate with the Corporation in complying with all Laws.

SECTION 7 ADMINISTRATION

The Plan shall be administered by the Board of Directors. The Board of Directors may at its discretion from time to time make, amend and repeal such regulations not inconsistent with the Plan as it may deem necessary or advisable for the proper administration and operation of the Plan, and such regulations shall form part of the Plan. The Board of Directors may appoint any committee, Director, officer or Employee of the Corporation as administrator of the Plan and delegate to such person such administrative duties and powers as it may see fit.

Without limiting the foregoing paragraph, the Board of Directors will have the authority to:

- 1) construe and interpret the Plan, and any agreement or document executed pursuant thereto;
- 2) prescribe, amend and rescind rules and regulations relating to the Plan, including determining the forms and agreements used in connection therewith; provided that the Board of Directors may delegate to the President, the Chief Financial Officer or the officer in charge of Human Resources the authority to approve amendments to the forms and agreements used in connection with the Plan that are designed to facilitate the Plan administration, and that are not inconsistent with the Plan or with any resolutions of the Board of Directors relating thereto;

- 3) determine whether Stock Options will be granted singly, in combination, or in tandem with, in replacement of, or as alternatives to, other Stock Options under the Plan or any other incentive or compensation plan of the Corporation or any subsidiary;
- 4) determine the Stock Option's Vesting Date(s); and
- 5) make all other determinations necessary or advisable for the administration of the Plan.

SECTION 8 – AMENDMENTS

- 1) Approval by the Board of Directors, shareholders, the Exchange and, as applicable, regulatory authorities will be required to make the following amendments to the Plan:
 - (i) any amendment to the number or percentage of securities issuable under the Plan;
 - (ii) any amendment to remove or to exceed the Insider participation limit;
 - (iii) a change regarding Eligible Participants under the Plan that might serve to broaden or increase Insider participation or to increase the non-employee director participation limit set out under Section 2;
 - (iv) the addition of a provision that would allow the transfer or assignment of a Stock Option;
 - (v) the addition of a cashless exercise Stock Option feature, payable in cash or securities, provided that the wording does not stipulate that the total number of underlying securities will be deducted from the number of securities reserved under the Plan;
 - (vi) the addition of a provision regarding deferred share units or restricted share units or any other mechanism or procedure where employees receive securities but the Corporation does not receive any cash consideration;
 - (vii) any reduction of the Exercise Price of any Share underlying any Stock Option, any cancellation of a Stock Option and the substitution of said Stock Option by a new Stock Option with reduced Exercise Price;
 - (viii) any extension of the Expiry Date of a Stock Option beyond its original Expiry Date (subject to the extension of the Expiry Date further to a blackout period as provided under the Plan);
 - (ix) any amendment to the method of determining the Exercise Price for each Share underlying any Stock Option granted under the Plan;
 - (x) any amendment to the provisions set forth under Section 8;
 - (xi) the addition of any form of financial assistance that the Corporation may grant to Eligible Participants under the Plan to enable them to subscribe for Shares following the exercise of Stock Options.

- 2) The Board of Directors may, at its sole discretion, through a resolution and without shareholder approval, subject to receipt of approval of the Exchange and, where required, from regulatory authorities, make all other amendments to the Plan that are not set out in subsection 8(1), in particular, without limiting the generality of the foregoing, the following:
 - (i) any amendment of a housekeeping nature or an amendment intended to clarify the provisions of the Plan;
 - (ii) any amendment to the provisions governing a Stock Option or the Plan relating to the vesting period;
 - (iii) a change to the termination provisions of a Stock Option that does not entail an extension beyond the original Expiry Date; and
 - (iv) the termination of the Plan.

Notwithstanding the provisions of this subsection, the Corporation will not contravene the requirements, standards, Laws or regulations emanating from the Exchange or from any other regulatory authority.

SECTION 9 – MISCELLANEOUS

1) Notice

- a) Any notice, request, payment or other communication required or permitted to be given hereunder by the Corporation to an Optionholder shall be in writing and shall be given by personally delivering it or by delivering it by mail to the address of the Optionholder set out in the Notice of Grant or such other address of which the Optionholder has notified the Corporation. The Optionholder shall notify the Corporation in writing of any address change.
- b) Any notice, request, payment or other communication required or permitted to be given hereunder by an Optionholder to the Corporation shall be in writing and shall be given by personally delivering it or by delivering it by mail to the primary business address of the Corporation or any other address designated by the Corporation.
- c) The date of delivery of notice, request, payment or any other communication shall be the date of personal delivery or, if delivered by mail, the fifth Business Day after mailing provided that in the event of a postal strike, the date of delivery shall be the date of actual delivery.

2) Termination

The Corporation may terminate the Plan at any time provided that such termination shall not alter the terms or conditions of any Stock Option or impair any right of any Optionholder pursuant to any Stock Option granted prior to the date of such termination and notwithstanding such termination by the Corporation, such Stock Options and such Optionholders shall continue to be governed by the provisions of the Plan.

3) Interpretation

The interpretation by the Board of Directors of any of the provisions of the Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by an Optionholder. No member of the Board of Directors or the Committee or any person acting pursuant to authority thereby delegated hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board of Directors and each such person acting on the authority delegated hereunder, shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

4) Resale Restrictions

The Corporation hereby informs the Optionholder that Stock Options and Shares are subject to Laws that may impose Shares resale restrictions. Certain Optionholders may also be subject to restrictions with respect to the trade of Shares as set forth in the Corporation's internal policies.

5) No Representation or Warranty

The Corporation makes no representation or warranty as to the future market value of any Shares issued following the exercise of any Stock Option in accordance with the provisions of the Plan.

6) Governing Laws

The Plan will be governed by and construed in accordance with the Laws of the Province of Québec and the Laws of Canada applicable therein.

7) Compliance with Applicable Law

If any provision of the Plan or any Stock Option conflicts with any Law, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

8) Agreement

The Corporation and every Optionholder shall be bound by the terms and conditions of the Plan by the simple delivery thereof to an Optionholder and the signature of the Notice of Grant.

9) Non-Exclusive

Subject to the required approvals, no provision of the Plan will prevent the Board of Directors to maintain or adopt other compensation mechanism or supplemental compensation mechanism.

10) Transitional Measures

Each Optionholder having received a grant of Stock Options or a right to acquire Stock Options pursuant to the Plan prior to the date this Stock Option Plan is adopted by the Corporation will receive a Notice of Grant setting out the terms of the previous Stock Option commitment. Upon delivery of the Notice of Grant to the Optionholder, any prior documentation relating to the previous Stock Option commitment will be null and void and not binding on the Corporation.

11) Name

This Plan shall be called the “*Monarch Mining Corporation Stock Option Plan*”.

SCHEDULE A
DEFINED TERMS

“**Affiliate**” means an affiliate as defined in the *Canada Business Corporations Act*.

“**Board of Directors**” means the Board of Directors of the Corporation.

“**Board Lot**” means, depending on the trading price of the Shares, as follows:

- a) 1,000 Shares if the trading price per Share is less than \$0.10;
- b) 500 Shares if the trading price per Share is equal or over \$0.10 but not more than \$0.99;
- c) 100 Shares if the trading price per Share is \$1.00 or more.

“**Business Day**” means any day of the year, other than a Saturday or Sunday or any day recognized by Québec Law as a statutory holiday.

“**Change of Control**” means:

- i) any merger or amalgamation in which voting securities of the Corporation possessing more than fifty percent (50%) of the total combined voting rights of the Corporation’s outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction;
- ii) any acquisition, directly or indirectly, by a person or Related Group of Persons (other than a person that is a registered dealer as described in paragraph (iv) of the definition of Related Group of Persons hereof and other than the Corporation) or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation of beneficial ownership of voting securities of the Corporation possessing more than fifty percent (50%) of the total combined voting rights of the Corporation’s outstanding securities;
- iii) any acquisition, directly or indirectly, by a person or Related Group of Persons of the right to appoint a majority of the directors of the Corporation or otherwise directly or indirectly control the management, affairs and business of the Corporation;
- iv) any sale, transfer or other disposition of all or substantially all of the assets of the Corporation;
- v) a complete liquidation or dissolution of the Corporation; or
- vi) any transaction or series of transactions involving the Corporation or any of its Affiliates that the Board of Directors in its discretion deems to be a Change of Control.

provided however, that a Change of Control shall not be deemed to have occurred if such Change of Control results from:

- vii) the issuance, in connection with a bona fide financing or series of financings by the Corporation or any of its Affiliates, of voting securities of the Corporation or any of its Affiliates or any

rights to acquire voting securities of the Corporation or any of its Affiliates which are convertible into voting securities; or

- viii) a transaction or series of transactions involving the Corporation or any of its Affiliates whereby the holders of the voting securities of the Corporation continue to hold voting securities in the capital of the surviving or successor entity in substantially the same proportion as such holders held voting securities in the Corporation immediately prior to the commencement of such transaction or series of transactions.

“Consultant” means, in relation to the Corporation, an individual or Consultant Corporation, other than an employee, director or officer of the Corporation, that, for an initial, renewable or extended period of twelve (12) months or more:

- a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, (other than services provided in relation to a distribution of securities and services that directly or indirectly promote or maintain a market for the the Corporation’s securities);
- b) provides such services under a written consulting agreement with the Corporation or an Affiliate of the Corporation;
- c) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and
- d) has a relationship with the Corporation or an Affiliate of the Corporation that enables the Consultant to be knowledgeable about the business and affairs of the Corporation.

“Consultant Corporation” means, for an individual Consultant, a corporation or partnership of which the individual is an employee, shareholder or partner;

“Corporation” means Monarch Mining Corporation, or any successor thereto.

“Date of Grant” means the date on which a particular Stock Option is granted by the Board of Directors.

“Date of Termination of Investor Relations Activities” means has the meaning ascribed thereto in paragraph 4(3)(b) hereof.

“Director” means a member of the Board of Directors.

“Eligible Participant” means (a) an Employee, officer, Director or Consultant of the Corporation or any subsidiary thereof, and (b) a person employed to perform investor relations activities for an initial, renewable or extended period of twelve months or more.

“Employee” means, as the case may be:

- a) an individual who is considered an employee of the Corporation or its subsidiary under the Income Tax Act (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);
- b) an individual who works full-time for a Corporation or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over

the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source;

- c) an individual who works for a Corporation or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Issuer over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

“**Event**” has the meaning ascribed thereto in subsection 4(8) hereof.

“**Exchange**” means the Toronto Stock Exchange or such other stock exchange or over-the-counter quotation upon which the Shares are listed.

“**Exercise Notice**” means the notice respecting the exercise of any Stock Option, substantially in the form attached as Schedule “C” hereto, duly executed by the Optionholder or his legal representative.

“**Exercise Price**” has the meaning ascribed thereto in subsection 4(6) hereof.

“**Expiry Date**” means the date determined in accordance with subsection 4(2) hereof after which a particular Stock Option can no longer be exercised, subject to amendment in accordance with the terms hereof.

“**Fair Market Value**” means the closing price of the Shares on the Toronto Stock Exchange (or such other exchange which constitutes the primary exchange upon which the Shares are listed) on the last trading day immediately preceding a given day or, if the Shares did not trade on such last trading day, the average, rounded up to the nearest cent, of the bid and ask prices for a Board Lot of the Shares at the close of trading on such last trading day.

“**Insider**” in relation to the Corporation has the meaning ascribed to such term under Part I of the *Company Manual* of the Exchange.

“**Laws**” means the laws, rules and regulations of any government, public agency or authority, regulatory body, Exchange or other organization that has jurisdiction over the Shares, the Corporation, any Optionholder or any of the Corporation shareholders.

“**Notice of Grant**” means the notice respecting the grant of Stock Options, substantially in the form attached as Schedule “B” hereto, duly executed by the Secretary or of the Corporation or any other person designated by the Board of Directors.

“**Optionholder**” means an Eligible Participant or former Eligible Participant who holds Stock Options which have not been fully exercised and have not expired or, where applicable, the legal representative of such Eligible Participant.

“**Plan**” means this stock option plan named “*Monarch Mining Corporation Stock Option Plan*” adopted by the Board of Directors on November 30, 2020 as amended from time to time.

“**Related Group of Persons**” in respect of a person or persons, accordingly, means:

- i) the person together with any one or more of the person’s Associates or Affiliates;
- ii) any two or more persons who have an agreement, commitment or understanding, whether formal or informal, with respect to the acquisition of or the intention to acquire, directly or

indirectly, beneficial ownership of, or control and direction over, voting securities of the Corporation;

- iii) the exercise of voting rights attached to the securities of the Corporation beneficially owned by such persons, or over which such persons have control and direction, on matters regarding the appointment of directors or control of the management, affairs and business of the Corporation; and
- iv) despite the above paragraphs i) and ii), a registered dealer acting solely in an agency capacity for a person or Related Group of Persons in connection with the acquisition of beneficial ownership of, or control and direction over, securities of the Corporation, and not executing principal transactions for its own account or performing services beyond customary dealer's functions, shall not be deemed solely by reason of such agency relationship to be a related person for the purposes of the definition of Related Group of Persons.

"Shares" means the common shares in the capital of the Corporation or such other securities specified in subsection 4(8) hereof in the case of the occurrence of an Event.

"Stock Option" and **"Option"** means an option to purchase Shares granted to an Eligible Participant under this Plan.

"Termination Date" has the meaning ascribed thereto in paragraph 4(3)(c) hereof.

"Vesting Date" means the date set pursuant to paragraph 4(2)b) starting on which the Stock Options may be exercised in whole or in part.

SCHEDULE B

NOTICE OF GRANT

BETWEEN: **MONARCH MINING CORPORATION**, a legal person duly incorporated under the *Canada Business Corporations Act*, having its head office at 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec J0R 1R0;
(hereinafter referred to as “**Monarch**”)

AND: _____ an individual residing and domiciled at _____;
(hereinafter referred to as the “**Optionholder**”)

WHEREAS the Optionholder is _____ of Monarch;

WHEREAS the Board of Directors of Monarch has adopted a stock option plan named “*Monarch Mining Corporation Stock Option Plan*”, for the purpose of providing its employees, officers, directors, consultants and persons employed to provide investor relations activities with an incentive to promote its interests (hereinafter referred to as the “**Plan**”);

WHEREAS the stock options granted after the adoption of said Plan will be governed by the Plan;

WHEREAS Monarch wishes to grant to the Optionholder stock options to subscribe common shares (hereinafter referred to as the “**Shares**”) in the capital of Monarch pursuant to the terms of the Plan;

NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS:

STOCK OPTIONS GRANTED

Monarch hereby grants to the Optionholder the right to subscribe to _____ Shares at a price of \$ _____ per Share, upon the terms and conditions herein contained (hereinafter referred to as the “**Stock Options**”).

TERMS OF THE STOCK OPTIONS

After the ___ anniversary of the grant of the Stock Options, being _____, (referred to as the “**Expiry Date**”), any unexercised Stock Options shall become null and void.

[Paragraph and table below to be included if the Board of Directors has set vesting periods at the time of the grant of stock options.]

The Stock Options hereby granted to the Optionholder shall vest in * tranches of * Shares, only at the vesting dates and exercise prices set forth below:

Number of Shares	Vesting Dates	Exercise Price	Expiry Dates
*	starting *	\$*	*
*	starting *	\$*	*
*	starting *	\$*	*
*	starting *	\$*	*

All the terms and conditions set forth in the Plan are hereby incorporated by reference and are included herein as if fully recited. It is acknowledged that Plan contains terms and conditions that may change the Expiry Date.

EXERCISE OF STOCK OPTIONS

The Optionholder may exercise the Stock Options, in full or in part, at any time before the Expiry Date by sending to the head office of Monarch, an exercise notice (hereinafter referred to as the “**Exercise Notice**”), accompanied by a certified cheque or bank draft made payable to Monarch in the amount of the full price of the Shares subscribed for upon the terms of the Stock Options.

Monarch shall cause a certificate representing the number of Shares specified in the Exercise Notice to be issued and registered in the name of the Optionholder and delivered to him within reasonable time following receipt of such notice.

GOVERNING LAW

This Notice of Grant and the Stock Options shall be governed by and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.

ACKNOWLEDGEMENT OF TERMS

The undersigned Optionholder, does accept the grant of the stock options upon the terms and conditions that are set out in this Notice of Grant and the Plan.

The Optionholder acknowledges that he has received and reviewed a copy of the Plan and that he is familiar with the terms and conditions of the Stock Options.

He acknowledges that the Stock Options and any Shares he receives upon exercise thereof will be governed by applicable securities laws of Québec and possibly the securities laws of other jurisdictions and the rules of the Toronto Stock Exchange. Such laws and rules may limit the Optionholder’s ability to sell any Shares he receives on exercise of his Stock Options. Certain Optionholders might also be subject to trading restrictions stated in Monarch’s internal company policies.

He acknowledges that the Plan entitles him to written notice of certain events and that he must advise Monarch of any address changes in order to protect his rights.

He agrees that this Notice of Grant is comprehensive and contains a complete listing of all of his rights to acquire Shares of Monarch. Any rights that he may have to acquire Shares of Monarch, that are not set out herein are hereby cancelled.

DATED and signed at _____ on _____ .

MONARCH MINING CORPORATION

Per: _____

Witness Signature

Signature of Optionholder

Print Witness’s Name

Print Optionholder’s Name

Witness Address

SCHEDULE C

EXERCISE NOTICE

MONARCH MINING CORPORATION STOCK OPTION PLAN

MONARCH MINING CORPORATION

68, avenue de la Gare
Suite 205
Saint-Sauveur, Québec J0R 1R0

Dear Sirs / Mesdames:

Please be advised that in connection with stock options to purchase common shares of **Monarch Mining Corporation** (“**Monarch**”) granted to me pursuant to that certain notice of grant dated _____, the undersigned hereby wishes to exercise his or her option to purchase _____ common shares of Monarch.

Please find enclosed cash, a certified cheque or a bank draft in the amount of \$_____ payable to Monarch in full payment for the common shares to be purchased hereby. I hereby agree to assist Monarch in the filing of, and will timely file, all reports that I may be required to file under the applicable securities laws or listing exchange.

The common shares issued on the exercise of the stock options specified above are to be issued in the following registration as fully paid and non-assessable common shares of Monarch:

Dated at _____, this ____ day of _____.

(Print Optionee’s or Nominee’s Name)

(Optionee’s or Nominee’s Signature)

(Address of Optionee or Nominee)

(Telephone Number)

(Facsimile Number)

(E-Mail Address)

**APPENDIX H
SPINCO RSU PLAN**

See attached.

MONARCH MINING CORPORATION RESTRICTED SHARE UNIT PLAN

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RESTRICTED SHARE UNIT PLAN

Article 1. PURPOSE OF THIS PLAN

1.1 Purpose of this Plan

The purpose of this Plan is to promote the interests and enhance long-term success of Monarch Mining Corporation (the “**Corporation**”) by:

- (a) furnishing Eligible Persons with greater incentive to develop and promote the business and financial success of the Corporation;
- (b) aligning the interests of Eligible Persons with those of the shareholders of the Corporation generally through a proprietary ownership interest in the Corporation;
- (c) recognizing the contribution of Eligible Persons to the growth of the Corporation;
- (d) providing a long-term incentive element in an overall compensation package which is competitive with the Corporation’s peer group;
- (e) motivating Eligible Persons under the Plan to achieve important corporate and personal objectives to be determined between the Corporation and the Eligible Person; and
- (f) assisting the Corporation in attracting, retaining and motivating Eligible Persons.

The Corporation believes that these purposes may best be realized by granting Share Units to Eligible Persons and providing them with an opportunity to acquire a proprietary interest in the Corporation under this Plan.

Article 2. DEFINITIONS

2.1 Definitions

In this Plan, unless there is something in the subject matter or context inconsistent therewith, capitalized words and terms will have the following meanings:

- (a) “**Affiliate**” means an affiliate as defined in the *Canada Business Corporations Act*;
- (b) “**Applicable Withholding Taxes**” means all taxes and other source deductions or other amounts which the Corporation or an Affiliate of the Corporation is or may be required by law to withhold in respect of the Plan or in respect of a Share Unit, including in respect of the issuance, transfer, amendment or vesting of a Share Unit or the issuance of Shares or payment of cash thereunder;
- (c) “**Associate**” means an associate as defined in the *Securities Act*;
- (d) “**Account**” means the bookkeeping account established and maintained by the Corporation for each Participant in which the number of Share Units of the Participant are recorded;
- (e) “**Board**” means the board of directors of the Corporation as constituted from time to time;
- (f) “**Change of Control**” means:
 - (i) any merger or amalgamation in which voting securities of the Corporation possessing more than fifty percent (50%) of the total combined voting rights of the Corporation’s

outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction;

- (ii) any acquisition, directly or indirectly, by a person or Related Group of Persons (other than a person that is a registered dealer as described in Section 2.1(v)(iv) and other than the Corporation) or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation of beneficial ownership of voting securities of the Corporation possessing more than fifty percent (50%) of the total combined voting rights of the Corporation's outstanding securities;
- (iii) any acquisition, directly or indirectly, by a person or Related Group of Persons of the right to appoint a majority of the directors of the Corporation or otherwise directly or indirectly control the management, affairs and business of the Corporation;
- (iv) any sale, transfer or other disposition of all or substantially all of the assets of the Corporation;
- (v) a complete liquidation or dissolution of the Corporation; or
- (vi) any transaction or series of transactions involving the Corporation or any of its Affiliates that the Board in its discretion deems to be a Change of Control.

provided however, that a Change of Control shall not be deemed to have occurred if such Change of Control results from:

- (vii) the issuance, in connection with a bona fide financing or series of financings by the Corporation or any of its Affiliates, of voting securities of the Corporation or any of its Affiliates or any rights to acquire voting securities of the Corporation or any of its Affiliates which are convertible into voting securities; or
 - (viii) a transaction or series of transactions involving the Corporation or any of its Affiliates whereby the holders of the voting securities of the Corporation continue to hold voting securities in the capital of the surviving or successor entity in substantially the same proportion as such holders held voting securities in the Corporation immediately prior to the commencement of such transaction or series of transactions.
- (g) **“Compensation Committee”** means the Human Resources, Compensation and Nominating Committee of the Board or any other committee or person designated by the Board to administer the Plan;
- (h) **“Consultant”** means, in relation to the Corporation, an individual or Consultant Corporation, other than an employee, director or officer of the Corporation, that, for an initial, renewable or extended period of twelve (12) months or more:
- (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, (other than services provided in relation to a distribution of securities and services that directly or indirectly promote or maintain a market for the the Corporation's securities);
 - (ii) provides such services under a written consulting agreement with the Corporation or an Affiliate of the Corporation;
 - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and

- (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the Consultant to be knowledgeable about the business and affairs of the Corporation.
- (i) “**Consultant Corporation**” means, for an individual Consultant, a corporation or partnership of which the individual is an employee, shareholder or partner;
- (j) “**Corporation**” means Monarch Mining Corporation, and any reference in the Plan to an action by the Corporation means an action by or under the authority of the Board;
- (k) “**Effective Date**” has the meaning ascribed thereto by Section 3.1 of this Plan;
- (l) “**Eligible Person**” means a director, officer, employee or Consultant of the Corporation or its Affiliates;
- (m) “**Exchange**” means the Toronto Stock Exchange, or such stock exchanges or other organized markets on which the Shares are listed or posted for trading;
- (n) “**Fair Market Value**” with respect to a Share, as at a particular date, means the weighted average of the prices at which the Shares traded on the Exchange (or, if the Shares are not then listed and posted for trading on the Exchange or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Shares occurs) for the five (5) trading days on which the Shares traded on said exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (o) “**Grant Agreement**” means the written agreement between the Corporation and a Participant, in such form as may be approved by the Compensation Committee, evidencing the Share Units granted under this Plan, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan. Each Grant Agreement shall be subject to the applicable terms and conditions of this Plan and any other terms and conditions (not inconsistent with this Plan) determined by the Compensation Committee. A form of Grant Agreement is provided under Schedule A;
- (p) “**Insider**” in relation to the Corporation has the meaning ascribed to such term under Part I of the *Company Manual* of the Exchange.
- (q) “**Merger and Acquisition Transaction**” means:
 - (i) any merger;
 - (ii) any acquisition;
 - (iii) any amalgamation;
 - (iv) any offer for Shares which if successful would entitle the offeror to acquire all of the voting securities of the Corporation; or
 - (v) any arrangement or other scheme of reorganization;

that results in a Change of Control;

- (r) **“Outstanding Shares”** at the time of any issuance of Shares means the number of Shares that are outstanding immediately prior to the issue of the Shares in question, on a non-diluted basis, or such other number as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including the Exchange;
- (s) **“Participant”** means an Eligible Person designated by the Corporation to be granted a Share Unit under this Plan;
- (t) **“Permitted Assign”** in respect of a Participant means:
 - (i) an executor or administrator for the estate of the Participant upon the death of the Participant, or
 - (ii) a committee or duly appointed representative of the Participant, upon the Participant becoming incapable, by reason of physical or mental incapacity, of managing his or her affairs.
- (u) **“Plan”** means this *“Monarch Mining Corporation Restricted Share Unit Plan”*, as the same may from time to time be supplemented or amended and in effect;
- (v) **“Related Group of Persons”** in respect of a person or persons, accordingly, means:
 - (i) the person together with any one or more of the person’s Associates or Affiliates;
 - (ii) any two or more persons who have an agreement, commitment or understanding, whether formal or informal, with respect to the acquisition of or the intention to acquire, directly or indirectly, beneficial ownership of, or control and direction over, voting securities of the Corporation;
 - (iii) the exercise of voting rights attached to the securities of the Corporation beneficially owned by such persons, or over which such persons have control and direction, on matters regarding the appointment of directors or control of the management, affairs and business of the Corporation; and
 - (iv) despite the above Section 2.1 (v)(i)(ii), a registered dealer acting solely in an agency capacity for a person or Related Group of Persons in connection with the acquisition of beneficial ownership of, or control and direction over, securities of the Corporation, and not executing principal transactions for its own account or performing services beyond customary dealer’s functions, shall not be deemed solely by reason of such agency relationship to be a related person for the purposes of the definition of Related Group of Persons.
- (w) **“Securities Act”** means the *Securities Act* (Quebec), as amended from time to time;
- (x) **“Shares”** means the common shares in the capital of the Corporation;
- (y) **“Share Unit”** means a unit credited by means of an entry on the books of the Corporation to a Participant pursuant to the Plan, representing the right to receive, subject to and in accordance with the Plan, for each Vested Share Unit one Share or the other consideration as referred to in the Plan, at the time, in the manner, and subject to the terms, set forth in the Plan and the applicable Grant Agreement;
- (z) **“Shareholder”** means a holder of Shares;

- (aa) “**Vesting Date**” means, with respect to Share Units, the date on which the Corporation is required under the Grant Agreement to determine the extent to which a Share Unit is to be paid in Shares, cash or a combination thereof in accordance with Section 6.5 hereof and the Grant Agreement, and
- (bb) “**Vested Share Units**” shall mean Share Units in respect of which all vesting terms and conditions set forth in the Plan and the applicable Grant Agreement have been either satisfied or waived in accordance with the Plan.

Article 3. EFFECTIVE DATE OF PLAN

- 3.1 The effective date of the Plan is November 30, 2020 (the “**Effective Date**”), or such other date as the Board may determine, subject to the approval of the Plan, if necessary, by Shareholders and the Exchange.

Article 4. ADMINISTRATION OF PLAN

- 4.1 Unless otherwise determined by the Board, the Plan shall be administered by the Compensation Committee to, among other things, interpret, administer and implement this Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe and make recommendations to the Board as to the number of Share Units to be granted to Eligible Persons as well as the terms and conditions of such grant, consistent with this Plan (provided that if at any such time such a committee has not been appointed by the Board, this Plan will be administered by the Board, and in such event references herein to the Compensation Committee shall be construed to be a reference to the Board). The Board will take such steps that in its opinion are required to ensure that the Compensation Committee has the necessary authority to fulfil its functions under this Plan.
- 4.2 The Compensation Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan, and to make determinations and take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each determination or action made or taken pursuant to the Plan, including interpretation of the Plan, shall be final and conclusive for all purposes and binding on all parties, absent manifest error.
- 4.3 The Corporation will be responsible for all costs relating to the administration of the Plan.
- 4.4 Unless otherwise determined by the Board, the Plan shall remain an unfunded obligation of the Corporation and the rights of Participants under the Plan shall be general unsecured obligations of the Corporation.
- 4.5 The Corporation is authorized to take such steps as may be necessary to ensure all Applicable Withholding Taxes are withheld, deducted and remitted as required by law.

Article 5. SHARES AVAILABLE FOR SHARE UNITS

- 5.1 Subject to adjustment as provided in Article 17 of this Plan, the aggregate number of Shares that may be issuable pursuant to this Plan combined with all of the Corporation’s other security-based compensation mechanisms, including the Corporation’s stock option plan, shall not exceed 10 % of Outstanding Shares.
- 5.2 For purposes of Section 5.1 and subject to Section 5.3, the number of Shares covered by a Share Unit or to which a Share Unit relates shall be counted on the date of grant of such Share Unit against the aggregate number of Shares available for granting Share Units under this Plan.

- 5.3 If an outstanding Share Unit for any reason expires or is terminated or cancelled without having been settled in full, the unissued Shares shall again be available for issuance under this Plan.
- 5.4 Fractional Share Units are permitted under this Plan subject that no fractional Shares shall be issued and any fractional entitlements will be rounded down to the nearest whole number.

Article 6. GRANT OF SHARE UNITS

- 6.1 Subject to the provisions of this Plan, the Corporation may, from time to time, grant to any Eligible Person one or more Share Units as the Corporation deems appropriate. In addition to the terms and conditions of this Plan, Share Units may be subject to vesting terms and conditions determined at the time of grant.
- 6.2 The date on which a Share Unit will be deemed to have been granted under this Plan will be the date on which the Corporation authorizes the grant of such Share Unit or such other future date as may be specified at the time of such authorization.
- 6.3 Subject to Article 5, the number of Shares that may be issued under any Share Unit will be determined by the Corporation upon the recommendation of the Compensation Committee, provided that:
- (a) the number of Shares issued to any one Participant, within any one-year, and issuable to any one Participant, at any time, pursuant to this Plan combined with all of the Corporation's other security-based compensation mechanisms, including the Corporation's stock option plan, shall not, in aggregate, exceed 5% of the total number of Outstanding Shares; and
 - (b) the number of Shares issued to Insiders, within any one-year period, and issuable to Insiders, at any time, pursuant to all securities-based compensation mechanisms, including this Plan and the Corporation's stock option plan, may not exceed 10% of the total number of Outstanding Shares.
 - (c) the maximum annual grant date value of awards issued to non-employee directors, pursuant to all securities-based compensation mechanisms, including this Plan and the Corporation's stock option plan, is \$150,000 of which no more than \$100,000 may be issued in the form of stock options under the Corporation's stock option plan.
- 6.4 An Account shall be maintained by the Corporation for each Participant. On the grant date, the Account will be credited with the Share Units granted to a Participant on that date.
- 6.5 Subject to the terms of this Plan, the vesting terms and conditions to be completed during any period, the length of any period, the amount of any Share Unit granted, and any other terms and conditions for the vesting of Share Unit not inconsistent with the provisions of this Plan, as the Corporation shall determine, shall be determined by the Corporation at the time of grant. A Share Unit will be evidenced by a Grant Agreement containing such vesting terms and conditions.

Article 7. VESTING

- 7.1 Each Share Unit will be evidenced by a Grant Agreement which incorporates such terms and conditions (including all vesting conditions) as the Corporation in its discretion deems appropriate and consistent with the provisions of this Plan (and the execution by the Corporation of a Grant Agreement with a Participant shall be conclusive evidence that such Grant Agreement incorporates the terms and conditions determined by the Corporation and is consistent with the provisions of this Plan). Each Grant Agreement will be executed by the Participant to whom the Share Unit is granted and on behalf of the Corporation by any member of the Compensation Committee or any officer of the Corporation or such other person as the Board may designate

for such purpose.

- 7.2 Share Units granted pursuant to this Plan shall typically have a vesting term of three (3) years, subject to the discretion of the Corporation to determine a different vesting schedule for any Share Unit, which shall be within a minimum vesting term of one year and a maximum vesting term of five (5) years.

Article 8. ELIGIBILITY

- 8.1 Any Eligible Person shall be eligible to be designated a Participant. the Corporation and a Participant shall confirm that any Eligible Person that is an employee is a bona fide employee of the Corporation or its Affiliates. In determining whether an Eligible Person shall receive a Share Unit and the terms of any Share Unit, the Corporation may consider the nature of the services rendered by the Eligible Person, his or her present and potential contributions to the success of the Corporation, and such other factors as the Corporation, in its discretion, shall deem relevant.

Article 9. PAYMENT OF VESTED SHARE UNIT

- 9.1 Each whole Vested Share Unit (each being a Share Unit in respect of which all vesting terms and conditions set forth in the Plan and the applicable Grant Agreement have been either satisfied or waived in accordance with the Plan) shall be denominated or payable in Shares (subject to adjustment in accordance with this Plan) or cash, at the sole discretion of the Corporation.
- 9.2 Within sixty (60) days of a Vesting Date, the Corporation, in its sole and absolute discretion, shall, based on the Fair Market Value on the applicable Vesting Date, have the option of settling payment for Vested Share Units by any of the following methods or by a combination of such methods:
- (a) payment in cash; or
 - (b) subject to applicable law, payment in Shares issued from the share capital of the Corporation.

In the event that the the Corporation does not use its discretion to determine the form of payment for the Vested Share Units within sixty (60) days of a Vesting Date, payment for such Vested Share Units shall be in Shares issued from the share capital of the Corporation.

The Corporation shall not determine whether the payment method shall take the form of cash or Shares until a Vesting Date, or some reasonable time prior thereto. A Participant shall not have any right to demand, to be paid in, or to receive Shares in respect of a Vested Share Unit, at any time. Notwithstanding any election by the Corporation to settle any Vested Share Unit or a portion thereof, in Shares, the Corporation reserves the right to change its election in respect thereof at any time up until payment is actually made (the “**Payment Date**”) and the Participant shall not have the right, at any time, to enforce settlement in the form of Shares of the Corporation.

To the extent a Vested Share Unit is to be payable in Shares, one Share is to be issued for each whole Vested Share Unit. The Shares payable will be issued from share capital to the Participant.

To the extent a Vested Share Unit is to be payable in cash, the amount of cash shall be determined as of the close of business on the Vesting Date as the product of: (a) the number of Vested Share Units payable in cash, and (b) the Fair Market Value. Any amount payable to the Participant in respect of a Vested Share Unit shall be paid to the Participant as soon as practicable following the Vesting Date and in any event within sixty (60) days of the Vesting Date and the Corporation shall withhold from any such amount payable all Applicable Withholding Taxes and in the manner contemplated by Section 14.1 hereof.

- 9.3 Except as otherwise determined by the Corporation or as set forth in the applicable Grant Agreement, upon the termination of a Participant's employment (as determined under criteria established by the Corporation), including by way of death, retirement, disability, termination without cause and termination for cause during the term of a Share Unit, all unvested Share Units held by the Participant shall be forfeited and cancelled; provided, however, that the Corporation may, if it determines that a waiver would be in the best interest of the Corporation, waive in whole or in part any or all remaining restrictions or conditions with respect to any such Unit Share.

Article 10. GENERAL TERMS OF SHARE UNITS

- 10.1 Share Units may be granted for no cash consideration.
- 10.2 Share Units may, in the discretion of the Corporation be granted either alone or in addition to or in tandem with any incentive option granted under any plan of the Corporation or any Affiliate. Share Units granted in addition to or in tandem with incentive options granted under any such other plan of the Corporation or any Affiliate may be granted either at the same time as or at a different time from the grant of such other incentive options.
- 10.3 All Shares delivered pursuant to a Share Unit shall be subject to such hold periods and other restrictions as the Corporation may deem advisable, applicable Canadian provincial or foreign securities laws and regulatory requirements, applicable Exchange policies and rules, and applicable Canadian corporate laws, and the Corporation may direct appropriate hold periods and cause other legends to be placed on the certificates for such Shares to reflect such restrictions. If the Shares are traded on a securities exchange, the Corporation shall not be required to deliver any Shares covered by a Share Unit unless and until such Shares have been listed and posted for trading on such securities exchange.

Article 11. CHANGE IN STATUS

- 11.1 A change in the status, office, position or duties of a Participant from the status, office, position or duties held by such Participant on the date on which the Share Unit was granted to such Participant will not result in the termination of the Share Unit granted to such Participant provided that such Participant remains an Eligible Person.

Article 12. NON-TRANSFERABILITY OF SHARE UNITS

- 12.1 Each Grant Agreement will provide that the Share Unit granted thereunder is not transferable or assignable to anyone other than a Permitted Assign.

Article 13. REPRESENTATIONS AND COVENANTS OF PARTICIPANTS

- 13.1 Each Grant Agreement will contain representations and covenants of the Participant that:
- (a) the Participant is a director, officer or employee of the Corporation or its Affiliates or a person otherwise determined as an Eligible Person under this Plan by the Compensation Committee;
 - (b) the Participant has not been induced to enter into such Grant Agreement by the expectation of employment or continued employment with the Corporation or its Affiliates;

- (c) the Participant is aware that the grant of the Share Unit and the issuance by the Corporation of Shares thereunder are exempt from the obligation under applicable securities laws to file a prospectus or other registration document qualifying the distribution of the Share Units of the Shares to be distributed thereunder under any applicable securities laws.

Article 14. WITHHOLDING TAX

- 14.1 Each Participant shall be responsible for all taxes in respect of the Plan and in respect of the issuance, transfer, amendment or vesting of a Share Unit or the issuance of Shares or payment of cash thereunder. The Corporation makes no guarantee to any person regarding the tax consequences of becoming a Participant in the Plan and none of the Corporation, its Affiliates or any of their respective employees or representatives shall have any liability to any Participant with respect thereto. The Corporation shall be entitled to take all reasonable and necessary steps and to obtain all reasonable or necessary indemnities, assurances, payments or undertakings to satisfy any obligation to pay or withhold an amount on account of Applicable Withholding Taxes. Without limiting the generality of the foregoing, the Corporation may for such purposes withhold or offset such amounts from any salary or other amounts otherwise due or to become due from the Corporation to the Participant or may require that a Participant pay such amounts to the Corporation.

Article 15. CONDITIONS

- 15.1 Notwithstanding any provision in this Plan, or a Grant Agreement, the Corporation's obligation to issue Shares to a Participant pursuant to the terms of any Share Unit will be subject to, if applicable:
 - (a) of the availability of exemptions for the issuance of such Shares or obtaining approval of the Exchange as the Corporation will determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; and
 - (b) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

Article 16. SUSPENSION, AMENDMENT OR TERMINATION OF PLAN

- 16.1 The Corporation will have the right at any time and from time to time to suspend or terminate this Plan and, subject to Section 16.2, may:
 - (a) with the prior approval of Shareholders of the Corporation by ordinary resolution make any amendment to any Grant Agreement or this Plan, including any amendment that would result in:
 - (i) an amendment to the definition to the Fair Market Value under this Plan benefiting an Insider;
 - (ii) an extension of the term of a Share Unit beyond its original Vesting Date benefiting an Insider;
 - (iii) any amendment to remove or to exceed the Insider's participation limit;
 - (iv) any amendment to increase the non-employee director participation limit set out under Section 6.3(c);

- (v) an increase to the maximum number of Shares issuable, either as a fixed number or a fixed percentage of the Outstanding Shares;
- (vi) amendments to this Section 16.1; or

For subsections 16.1(a)(i), 16.1(a)(ii) and 16.1(a)(iii), the votes of securities held directly or indirectly by Insiders benefiting directly or indirectly from the amendment must be excluded.

- (b) without the prior approval of Shareholders of the Corporation and without limiting the generality of the foregoing, the Corporation may make any other amendments not listed in (a) above to any Grant Agreement or this Plan, including:
 - (i) amendments of a clerical nature, including but not limited to the correction of grammatical or typographical errors or clarification of terms;
 - (ii) amendments to reflect any requirements of any regulatory authorities to which the Corporation is subject, including the Exchange;
 - (iii) amendments to any vesting provisions of a Share Unit; and
 - (iv) amendments to the expiration date of a Share Unit that does not extend the term of a Share Unit past the original Vesting Date for such Share Unit.

Notwithstanding the foregoing, all procedures and necessary approvals required under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject shall be complied with and obtained in connection with any such suspension, termination or amendment to this Plan or amendments to any Grant Agreement.

16.2 In exercising its rights pursuant to Section 16.1, the Corporation will not have the right to affect in a manner that is materially adverse to, or that materially impairs, the benefits and rights of any Participant under any Share Unit previously granted under this Plan except: (a) with the consent of such Participant; (b) as permitted pursuant to Article 17; or (c) for the purpose of complying with the requirements of any regulatory authorities to which the Corporation is subject, including the Exchange.

Article 17. ADJUSTMENTS

17.1 In the event of any Share distribution, Share split, combination or exchange of Shares, consolidation, spin-off or other distribution of the Corporation's assets to the Shareholders, or any other change affecting the Shares, the Share Units of each Participant and the Share Units outstanding under the Plan shall be adjusted in such manner, if any, as the Corporation may in its discretion deem appropriate to reflect the event. However, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Share Units will be granted to such Participant to compensate for a downward fluctuation in the market price of the Shares, nor will any other form of benefit be conferred upon, or in respect of a Participant for such purpose.

17.2 In the event of a Merger and Acquisition Transaction or proposed Merger and Acquisition Transaction, the Corporation shall determine in an appropriate and equitable manner:

- (a) any adjustment to the number and type of Shares (or other securities) that thereafter shall be made the subject of Share Units; and
- (b) the number and type of Shares (or other securities) subject to outstanding Share Units; and
- (c) determine the manner in which all unvested Share Units granted under this Plan will be treated including, without limitation, requiring the acceleration of the time for the vesting of such Share

Units by the Participants, the time for the fulfilment of any conditions or restrictions on such vesting, and the time for the expiry of such Share Units.

Subsections (a) through (c) of this Section 17.2 may be utilized independently of, successively with, or in combination with each other and Section 17.1, and nothing therein contained shall be construed as limiting or affecting the ability of the Corporation to deal with Share Units in any other manner. All determinations by the Corporation under this Article 17 will be final, binding and conclusive for all purposes.

17.3 Notwithstanding anything else in this Plan, any unvested Share Units issued to a Participant at the time of a Merger and Acquisition Transaction shall immediately vest if either (i) the Participant is either terminated without cause or resigns with serious reason (as such term has been defined under the *Civil Code*), from their position with the Corporation within the period ending 12 months from the date of the completion of the Merger and Acquisition Transaction, or (ii) the Compensation Committee, acting reasonably, determines that an adjustment to the number and type of Shares (or other securities) resulting from a Merger and Acquisition Transaction is impractical or impossible. In the event this Section 17.3 is applicable, the Corporation shall, acting reasonably, determine the extent to which the Participant met the conditions for vesting of Share Units.

17.4 The grant of any Share Units under this Plan will in no way affect the Corporation's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, amalgamate, reorganize, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets or engage in any like transaction.

Article 18. GENERAL

18.1 Nothing herein or otherwise shall be construed so as to confer on any Participant any rights as a Shareholder of the Corporation with respect to any Shares reserved for the purpose of any Share Unit.

18.2 Nothing in this Plan or any Grant Agreement will confer upon any Participant any right to continue in the employ of or under contract with the Corporation or its Affiliates or affect in any way the right of the Corporation or any such Affiliate to terminate his or her employment at any time or terminate his or her consulting contract, nor will anything in this Plan or any Grant Agreement be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any such Affiliate to extend the employment of any Participant beyond the time that he or she would normally be retired pursuant to the provisions of any future retirement plan of the Corporation or its Affiliates or any future retirement policy of the Corporation or its Affiliates, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or its Affiliates. Neither any period of notice nor any payment in lieu thereof upon termination of employment shall be considered as extending the period of employment for the purposes of this Plan.

18.3 Nothing contained in this Plan will restrict or limit or be deemed to restrict or limit the rights or power of the Corporation in connection with any allotment and issuance of Shares which are not allotted and issued under this Plan including, without limitation, with respect to other compensation arrangements.

18.4 The Plan and any Grant Agreement granted hereunder will be governed, construed and administered in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

18.5 References herein to any gender include all genders and to the plural includes the singular and vice versa. The division of this Plan into Sections and Articles and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Plan.

SCHEDULE “A”

**FORM OF GRANT AGREEMENT
MONARCH MINING CORPORATION
(the “Corporation”)
RESTRICTED SHARE UNIT PLAN
GRANT AGREEMENT**

This Grant Agreement is entered into between the Corporation and the Participant named below pursuant to the Corporation’s Restricted Share Unit Plan (the “Plan”). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan.

This Agreement confirms that:

1. on _____, 20____
2. _____ (the “Participant”);
3. was granted _____ Share Units in respect of employment services to be rendered by the Participant to the Corporation or its Affiliates each of which entitles the Participant to receive one Share (or otherwise, as determined pursuant to the Plan) or cash, provided the following conditions are met:

[conditions of vesting to be included at time of grant.]

4. the vesting of the Share Units shall occur on the following schedule:

5. Vesting Date	Percentage Vested	Share Capital
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[Timing of vesting to be included at time of grant.]

6. by execution of this Agreement and acceptance of the Share Units hereby granted, the Participant hereby represents and warrants to the Corporation that the Participant:
 - (a) is director, officer or employee of the Corporation or its Affiliates or a person otherwise determined as an Eligible Person under Plan;
 - (b) has not been induced to enter into this Grant Agreement by the expectation of employment or continued employment with the Corporation or its Affiliates; and
 - (c) is aware that the grant of the Share Unit and the issuance by the Corporation of Shares thereunder are exempt from the obligation under applicable securities laws to file a prospectus or other registration document qualifying the distribution of the Share Units of the Shares to be distributed thereunder under any applicable securities laws.
7. without restricting the generality of Section 4.5 of the Plan, the Corporation is expressly authorized to withhold and remit all Applicable Withholding Taxes arising as a consequence of the issuance, transfer, amendment or vesting of a Share Unit granted pursuant to this Agreement or the issuance of Shares, (or otherwise, as determined

pursuant to the Plan) (the “**Applicable Withholding Taxes Amount**”), in any of the following ways or any combination thereof:

- (a) by requiring the Participant, as a precondition to the Corporation’s obligation to issue Shares from share capital, to pay to the Corporation in cash the Applicable Withholding Taxes Amount, to be remitted by the Corporation to the appropriate government authorities for the Participant’s account; and
- (b) by offset against any salary or other amounts otherwise due or to become due from the Corporation to the Participant and remitting such amounts to the appropriate government authorities for the Participant’s account.

8. the Share Units are otherwise subject to all of the terms and subject to all of the conditions and restrictions set out in the Plan.

9. The Share Units are not transferable or assignable to any person other than a Permitted Assign.

By signing this Agreement, the Participant acknowledges that the Participant has read and understands the Plan and agrees to the terms and conditions of the Plan and this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the ____ day of _____, 20__.

MONARCH MINING CORPORATION

By: _____
Participant

By: _____
Authorized Signatory

APPENDIX I INFORMATION CONCERNING YAMANA

Overview

Yamana was formed on July 30, 2003 when, pursuant to Articles of Amendment, the name of Yamana was changed from Yamana Resources Inc. to its current name and on August 12, 2003, pursuant to a reverse stock split, the Yamana Shares were consolidated on the basis of one new common share for 27.86 existing common shares. Prior to these corporate actions, and a concurrent reverse takeover of certain assets, Yamana was an inactive shell corporation whose previous history was mostly limited to exploration activities. In an effort to streamline its corporate structure, effective January 1, 2020, Yamana completed a vertical short form amalgamation with its wholly-owned subsidiary, Yamana Malartic Canada Inc., pursuant to Articles of Amalgamation and through which the securities of Yamana were not affected. Yamana is continued under the CBCA by Articles of Continuance, dated February 7, 1995. On February 7, 2001, pursuant to Articles of Amendment, a maximum of 8,000,000 First Preference Shares, Series 1 were authorized, none of which are outstanding.

Yamana is a Canadian-based precious metals producer with significant gold and silver production, development stage properties, exploration properties, and land positions throughout the Americas, including Canada, Brazil, Chile and Argentina. Yamana plans to continue to build on this base through expansion and optimization initiatives at existing operating mines, development of new mines, the advancement of its exploration properties and, at times, by targeting other consolidation opportunities with a primary focus in the Americas.

Yamana's portfolio includes five operating gold mines and various advanced and near development stage projects and exploration properties in Canada, Brazil, Chile, and Argentina. Yamana operates its mines and projects under common corporate oversight. Within this structure Jacobina, El Peñón and Canadian Malartic are Yamana's material producing mines and among the largest contributors to operating cash flow. Set out below is a list of Yamana's main properties and mines:

Material Producing Mines

- Jacobina Mining Complex (Brazil)
- El Peñón Mine (Chile)
- Canadian Malartic Mine (Canada) – 50% indirect interest

Other Producing Mines

- Cerro Moro Mine (Argentina)
- Minera Florida Mine (Chile)

Additional Projects

- Agua Rica Project (Argentina)
- Suyai Project (Argentina)
- Monument Bay Project (Canada)

Yamana is a reporting issuer in all of the provinces and territories of Canada. Yamana's head office is located at 200 Bay Street, Royal Bank Plaza, North Tower, Suite 2200, Toronto, Ontario M5J 2J3 and its registered office is located at 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2.

Recent Developments

On March 20, 2020, Yamana announced that, in response to developments regarding COVID-19, the Government of Argentina had imposed a temporary mandatory self-isolation period and travel restriction until March 31, 2020. In response to this declaration, Yamana temporarily demobilized operations at the Cerro Moro Mine during this period. Underground operations were reduced and Cerro Moro began provisionally operating largely from its open pit operations and stockpiled material. Yamana's efforts at the Agua Rica Project were similarly gradually reduced on a temporary basis. Efforts at Agua Rica are mostly corporate related, as Yamana advances towards the feasibility study and permitting for the project and the effects of the mandatory self-isolation declaration were not meaningful to the overall project schedule.

On March 24, 2020, Yamana announced that pursuant to the order by the Government of Québec in relation to COVID-19 to temporarily restrict all non-essential business until April 13, 2020, it made the decision to ramp down operations at the Canadian Malartic Mine. The Canadian Malartic Mine was placed on care and maintenance and minimal work took place during the required period. The 50/50 partnership with Agnico Eagle Mines Ltd., in connection with the acquisition of the Canadian Malartic Mine, demobilized employees and contractors in a safe and orderly manner, leaving a small number of employees on site to maintain property and equipment and oversee all environmental responsibilities and obligations at the Canadian Malartic Mine.

With reduced production coming from suspended or reduced operations, along with other present-day uncertainties related to COVID-19, on March 24, 2020, Yamana announced the withdrawal of its 2020 guidance for production and costs. Yamana announced revised guidance on April 30, 2020. In the period from the designation of mining as an essential service in early April, through late April 2020, the remobilization of the full complement of workforce was completed and on April 14, 2020 Yamana announced that the Canadian Malartic Mine would resume operations starting on April 15, 2020. Between March 24 and April 15, 2020, the Canadian Malartic Mine developed a robust plan of hygiene and preventative measures to ensure the health and safety of its employees, families, and communities.

In March 2020, as a precaution and given the current uncertainty around the global pandemic, Yamana drew down US\$200,000,000 of its US\$750,000,000 revolving credit facility. Such draw has since been repaid.

On April 6, 2020, the Argentine Government declared mining as an essential service, which allowed the Cerro Moro Mine to resume full operations. Yamana began to resume operations in an orderly and gradual manner with attention to health and safety requirements. Recommended standards and measures were established at national, provincial and municipal levels. Yamana's protocols relating to these standards and measures have been discussed with and revised by applicable authorities and are considered to be in compliance. Yamana continues to consult with national and international medical experts along with municipal, provincial and national governments, its workforce and other stakeholders.

On April 15, 2020, Yamana announced it closed its previously announced sale of 12,000,000 common shares of Equinox Gold Corp. ("**Equinox**") and 6,000,000 warrants of Yamana to purchase common shares of Equinox to qualified purchasers for gross proceeds to Yamana of \$120,000,000. The shares and warrants were sold through Stifel Nicolaus Canada Inc. and Cormark Securities Inc. Each warrant entitles the holder thereof to acquire one additional common share of Equinox owned by Yamana at an exercise price of \$13.50 for a term of 9 months expiring on January 15, 2021. In the event all warrants are exercised, an additional \$81,000,000 will be paid to Yamana, for total gross proceeds to Yamana of \$201,000,000.

On April 28, 2020, Yamana announced that it entered into a definitive option agreement (the "**Option Agreement**") pursuant to which it granted a privately-held portfolio management and capital markets company based in Argentina, owned by Messrs. Eduardo Elsztain and Saúl Zang, the right to acquire up to a maximum 40% interest in a joint venture formed to hold the Suyai Project, an advanced stage gold project located in Chubut Province in southern Argentina. Under the terms of the Option Agreement, an initial amount of US\$2,000,000 will be paid to secure the option and the Argentine group will assume responsibility for all environmental, social, and governance matters and, in particular, the group will lead the permitting efforts aimed to advance the project through its different stages of development.

On May 27, 2020, Yamana announced it completed the previously announced sale to Nomad Royalty Company Ltd. (formerly, Guerrero Ventures Inc.) of a portfolio of royalty interests and the contingent payment to be received upon declaration of commercial production at the Deep Carbonates Project at the Gualcamayo gold mine for total consideration of approximately US\$65,000,000.

On October 13, 2020, Yamana announced that the Yamana Shares would be admitted to the standard listing segment of the Official List on the LSE's Main Market for listed securities and Yamana's shares will trade under the ticker AUU.

On November 2, 2020, Yamana announced the expansion of its footprint in the Abitibi Region with the friendly acquisition of Monarch pursuant to the entering into of the Arrangement Agreement with Monarch.

Consolidated Capitalization

There have been no material changes in the share and loan capital of Yamana, on a consolidated basis, since September 30, 2020, the date of the Yamana Interim Financial Statements, which are incorporated by reference in this Circular.

Description of Share Capital

Yamana is authorized to issue an unlimited number of Yamana Shares at no par value and a maximum of eight million First Preference Shares. The Yamana Shares are listed on the TSX under the symbol "YRI", the NYSE under the symbol "AUU" and the LSE under the symbol "AUU". There were 952,621,476 Yamana Shares issued and outstanding at the close of business on November 30, 2020. There are no First Preference Shares issued or outstanding.

Yamana Shares

Holders of Yamana Shares are entitled to receive notice of any meetings of shareholders of the company, to attend and to cast one vote per Yamana Share at all such meetings. Holders of Yamana Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Yamana Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Yamana Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the company's board of directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the company are entitled to receive on a pro-rata basis the net assets of the company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of Yamana Shares with respect to dividends or liquidation. The Yamana Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Price Range and Trading Volume

TSX

The following table sets forth information relating to the monthly trading of the Yamana Shares on the TSX for the 12-month period prior to the date of this Circular.

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
November 2019	4.82	4.22	52,836,451
December 2019	5.24	4.56	48,435,928
January 2020	5.54	4.63	55,401,137
February 2020	6.56	4.78	80,633,202
March 2020	5.87	3.11	159,820,166
April 2020	6.97	3.89	122,869,211
May 2020	7.85	6.40	148,947,394
June 2020	7.53	6.36	85,613,288
July 2020	9.21	7.16	75,094,559
August 2020	9.29	7.58	64,136,652

September 2020	8.45	7.05	63,846,841
October 2020	8.27	6.99	52,287,267
November 2020	7.88	6.40	65,755,228

The closing price of the Yamana Shares on the TSX on October 30, 2020, the last trading day prior to the announcement of Yamana's intention to acquire Monarch, was \$7.41. The closing price of the Yamana Shares on the TSX on November 30, 2020 was \$6.78.

NYSE

The following table sets forth information relating to the monthly trading of the Yamana Shares on the NYSE for the 12-month period prior to the date of this Circular.

<u>Month</u>	<u>High (US\$)</u>	<u>Low (US\$)</u>	<u>Volume</u>
November 2019	3.66	3.19	73,626,214
December 2019	4.02	3.47	61,463,770
January 2020	4.20	3.55	76,165,076
February 2020	4.93	3.56	96,465,118
March 2020	4.38	2.24	133,524,850
April 2020	4.97	2.74	98,770,124
May 2020	5.65	4.56	79,553,064
June 2020	5.54	4.67	72,800,605
July 2020	6.88	5.24	79,454,355
August 2020	7.02	5.74	69,288,812
September 2020	6.42	5.26	68,078,427
October 2020	6.30	5.23	63,110,758
November 2020	6.03	4.89	60,740,526

The closing price of the Yamana Shares on the NYSE on October 30, 2020, the last trading day prior to the announcement of Yamana's intention to acquire Monarch, was US\$5.56.

The closing price of the Yamana Shares on the NYSE on November 30, 2020 was US\$5.22.

Prior Sales

For the 12-month period prior to the date of the Circular, Yamana issued or granted Yamana Shares and securities convertible into Yamana Shares as listed in the table below. Other than the issuances listed in the table below, Yamana has not issued any Yamana Shares or securities convertible into Yamana Shares within the 12 months preceding the date of the Circular.

<u>Date of Issuance</u>	<u>Price per Yamana Share or Exercise Price per Yamana Option</u>	<u>Number and Type of Security</u>		<u>Reason for Issuance</u>
January 1, 2020	\$3.96	47,944	Yamana Shares	Vesting of restricted share units
January 12, 2020	\$5.30	55,748	Yamana Shares	Vesting of restricted share units
January 14, 2020	\$4.68	634,687	Restricted share units	Grant of restricted share units
January 14, 2020	\$4.80	6,343	Restricted share units	Dividend reinvestment on restricted share units
January 14, 2020	US\$3.75	12,311	Yamana Shares	Dividend reinvestment on Yamana Shares
February 4, 2020	\$5.68	55,368	Yamana Shares	Exercise of stock options

Date of Issuance	Price per Yamana Share or Exercise Price per Yamana Option	Number and Type of Security		Reason for Issuance
February 12, 2020	\$5.20	567,056	Restricted share units	Grant of restricted share units
February 13, 2020	\$3.45	331,205	Yamana Shares	Vesting of restricted share units
February 14, 2020	\$4.15	290,918	Yamana Shares	Vesting of restricted share units
February 18, 2020	\$4.47	212,978	Yamana Shares	Vesting of restricted share units
February 19, 2020	\$5.68	26,372	Yamana Shares	Exercise of stock options
February 21, 2020	\$3.95	109,222	Yamana Shares	Vesting of restricted share units
March 17, 2020	\$4.17	51,876	Yamana Shares	Vesting of restricted share units
April 14, 2020	\$5.92	7,664	Restricted share units	Dividends on restricted share units
April 14, 2020	US\$3.55	17,948	Yamana Shares	Dividend reinvestment on Yamana Shares
July 4, 2020	\$10.00	1,000,000	Flow-through shares	Issuance of flow-through shares
July 14, 2020	\$7.53	7,057	Restricted share units	Dividends on restricted share units
July 14, 2020	US\$5.54	16,481	Yamana Shares	Dividend reinvestment on Yamana Shares
August 11, 2020	\$5.68	85,024	Yamana Shares	Exercise of stock options
October 14, 2020	\$8.12	7,150	Restricted share units	Dividends on restricted share units
October 14, 2020	US\$5.90	22,764	Yamana Shares	Dividend reinvestment on Yamana Shares

Risk Factors

An investment in Yamana Shares and the completion of the Arrangement are subject to certain risks. In assessing the Arrangement, Monarch Securityholders should carefully consider the risks described under “*The Arrangement – Risks Associated with the Arrangement*” and the risks described under the heading “Risk Factors” in the Yamana AIF and the risk factors described in the Yamana Annual MD&A which are incorporated by reference in this Circular.

Additional Information

Information concerning Yamana has been incorporated by reference in this Circular from documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada and filed with, or furnished to, the SEC. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Senior Vice President, General Counsel and Corporate Secretary of Yamana at 200 Bay Street, Royal Bank Plaza, North Tower, Suite 2200, Toronto, Ontario M5J 2J3, telephone (416) 815-0220, and are also available electronically under Yamana’s SEDAR profile at www.sedar.com or in the United States through EDGAR at the website of the SEC at www.sec.gov. The filings of Yamana through SEDAR and EDGAR are not incorporated by reference in this Circular except as specifically set out herein.

The following documents, filed by Yamana with the securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into, and form an integral part of, this Circular:

- (a) The annual information form (the “**Yamana AIF**”) of Yamana for the year ended December 31, 2019, dated March 30, 2020;
- (b) the audited consolidated financial statements of Yamana as at and for the years ended December 31, 2019 and 2018, together with the auditors’ report thereon and the notes thereto;
- (c) management’s discussion and analysis of Yamana for the year ended December 31, 2019 (the “**Yamana Annual MD&A**”);

- (d) the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 (the “**Yamana Interim Financial Statements**”);
- (e) management’s discussion and analysis of Yamana for the three and nine months ended September 30, 2020; and
- (f) the management information circular of Yamana dated March 24, 2020, prepared in connection with the annual meeting of shareholders of Yamana held on April 30, 2020.

Any document of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 –*Short Form Prospectus Distributions* (excluding confidential material reports), filed by Yamana with the securities commissions or similar regulatory authorities in the applicable provinces and territories of Canada after the date of this Circular shall be deemed to be incorporated by reference in the Circular. In addition, any document filed by Yamana with, or furnished by Yamana to, the SEC pursuant to the U.S. Exchange Act, subsequent to the date of this Circular shall be deemed to be incorporated by reference into the Circular.

Any statement contained in this Circular or in any other document incorporated or deemed to be incorporated by reference in this Circular shall be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular except as so modified or superseded.

Interest of Experts

Monarch Securityholders should refer to the section entitled “Interest of Experts” in the Yamana AIF which is incorporated herein by reference for further information regarding the technical reports from which certain scientific and technical information relating to Yamana’s material mineral projects contained in the Yamana AIF has been derived, and in some instances extracted, as well as the qualified persons involved in preparing such reports and details of certain technical information relating to Yamana’s material mineral projects contained in the Yamana AIF.

APPENDIX J
INFORMATION CONCERNING YAMANA FOLLOWING THE ARRANGEMENT

The following section of this Circular contains forward-look information. Readers are cautioned that actual results may vary. See “General – Forward-Looking Information” in this Circular.

General

On completion of the Arrangement, Yamana will own all of the outstanding Monarch Shares and, pursuant to the Arrangement and Monarch will be a wholly-owned subsidiary of Yamana. Following completion of the Arrangement, Monarch Shareholders are expected to own approximately 1.3% of the outstanding Yamana Shares.

After completion of the Arrangement, the business and operations of Monarch will be managed and operated as a subsidiary of Yamana. Yamana expects that the principal executive office of Monarch will be located at Yamana’s current head office, being 200 Bay Street, Royal Bank Plaza, North Tower, Suite 2200, Toronto, Ontario M5J 2J3.

Except as otherwise described in this Appendix, the business of Yamana following completion of the Arrangement and information relating to Yamana following completion of the Arrangement will be that of Yamana generally and as disclosed elsewhere in this Circular.

Directors and Executive Officers of Yamana

The Arrangement will not result in changes to the directors and officers of Yamana. Following completion of the Arrangement, the directors and officers of Yamana are expected to remain the current directors and officers of Yamana.

Description of Share Capital

The authorized share capital of Yamana following completion of the Arrangement will continue to be as described above under Appendix I of this Circular “*Information Concerning Yamana*” and the rights and restrictions of the Yamana Shares will remain unchanged. The issued share capital of Yamana will change as a result of the consummation of the Arrangement, to reflect the issuance of the Yamana Shares contemplated in the Arrangement. See Appendix I of this Circular – “*Information Concerning Yamana — Consolidated Capitalization*”.

Auditors, Transfer Agent and Registrar

The auditors of Yamana following completion of the Arrangement will continue to be Deloitte LLP and the transfer agent and registrar for the Yamana Shares in Canada will continue to be AST at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

Risk Factors

The business and operations of Yamana following completion of the Arrangement will continue to be subject to the risks currently faced by Yamana and Monarch, as well as certain risks unique to Yamana following completion of the Arrangement, including those set out under the heading “Risk Factors”. Readers should also carefully consider the risk factors related to Yamana described in the Yamana AIF and the Yamana Annual MD&A and the risk factors related to Monarch described in the Monarch AIF and Monarch Annual MD&A, each of which is incorporated by reference in this Circular.

APPENDIX K
Section 190 of the CBCA

190 (1) Right to dissent – Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to:

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

(2) Further Right – A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) If one class of shares – The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) Payment for Shares – In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) No partial dissent – A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) Objection – A dissenting shareholder will send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) Notice of resolution – The corporation will, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) Demand for Payment – A dissenting shareholder will, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

(8) Share Certificate – A dissenting shareholder will, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) Forfeiture – A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) Endorsing certificate – A corporation or its transfer agent will endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and will forthwith return the share certificates to the dissenting shareholder.

(11) Suspension of rights – On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

(12) Offer to pay – A corporation will, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Same terms – Every offer made under subsection (12) for shares of the same class or series will be on the same terms.

(14) Payment – Subject to subsection (26), a corporation will pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Corporation may apply to court – Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) Shareholder application to court – If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) Venue – An application under subsection (15) or (16) will be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) No security for costs – A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Parties – On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation will be joined as parties and are bound by the decision of the court; and

(b) the corporation will notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) Powers of court – On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court will then fix a fair value for the shares of all dissenting shareholders.

(21) Appraisers – A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) Final Order – The final order of a court will be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) Interest – A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) Notice that subsection (26) applies – If subsection (26) applies, the corporation will, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) Effect where subsection (26) applies – If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) Limitation – A corporation will not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

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QUESTIONS AND FURTHER ASSISTANCE

If you have any questions about the information contained in this Circular or require assistance with completing your form of proxy or voting instruction form, please contact Monarch Gold Corporation's proxy solicitation agent:



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