



CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



Years ended June 30, 2023 and 2022

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Monarch Mining Corporation

Opinion

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

- the consolidated statement of financial position as at June 30, 2023 and 2022
- the consolidated statement of net loss and comprehensive loss for the years then ended
- the consolidated statement of changes in shareholders' equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2023 and June 30, 2022 and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Entity has incurred operating losses and negative cash flows related to the operation, exploration and development of its mining properties, and needs to secure additional funds to meet existing commitments and obligations, including its long-term debt. The Entity also suspended its operations at the Beaufor Mine and the Beacon Mill during the year, and placed the mine and mill in care and maintenance.

As stated in Note 2 in the financial statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty Related to Going Concern***" section of the auditor's report, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of indicators of impairment for exploration and evaluation assets and mining properties

Description of the Matter

We draw attention to Notes 3, 8, 9 and 21 of the financial statements. The Entity has mining properties of \$5,682,373 and exploration and evaluation assets of \$14,303,645. The carrying amounts of mining properties and exploration and evaluation assets are assessed by the Entity for impairment when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have expired or will expire in the near future
- No significant future exploration expenditures are foreseen
- 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.

The Entity completes an evaluation at each reporting period of potential impairment indicators. If any such indicator exists, then the asset's recoverable amount is estimated.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for mining properties and exploration and evaluation assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of mining properties and exploration and evaluation assets. This matter was of most significance due to the difficulties in evaluating the results of our audit procedures to assess the Entity's determination of whether the factors, individually and in the aggregate, resulted in indicators of impairment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed that the Entity's evaluation of potential impairment indicators was consistent with:

- Information included in Entity's press releases
- Evidence obtained in other areas of the audit, including the results of exploration activities and any updates to estimates of mineral reserves and resources
- Information obtained from:
 - (i) Reading internal communications to management and the Board of Directors
 - (ii) Inspecting publicly available information for changes in the price of applicable commodity prices.

We assessed the status of the Entity's rights to explore by discussing with management if any rights were not expected to be renewed and by inspecting government registries.

We considered the activities to date in each area to which the Entity has a right to explore by comparing the actual expenditures to the budgeted expenditures and available cash flow to meet these budgeted expenditures. We evaluated the Entity's ability to accurately budget the expenditures by comparing the Entity's prior year budgeted expenditures to the actual expenditures incurred.

We assessed if substantive expenditures on further exploration for the evaluation of mineral resources in each area that the Entity has a right to explore are planned or discontinued by inspecting budgeted expenditures.

Impairment of non-financial assets related to operating mining assets of the Beaufor / Beacon cash-generating unit***Description of the matter***

We draw attention to Notes 2, 3, 7 and 21 to the financial statements. Subsequent to an impairment charge of \$22,000,000, the Entity has property, plant and equipment of \$16,448,903, including non-financial assets related to mining assets, comprising of the Beaufor mining property and related buildings and equipment and the Beacon processing plant and its related equipment (the "Beaufor / Beacon cash-generating unit CGU").

The carrying amount of non-financial assets are reviewed by the Entity at each reporting date to determine whether there are any indicators of impairment. If any indicator of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset or cash-generating unit ("CGU") is lower than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognized in the statement of loss.

On September 27, 2022 and October 13, 2022, the Company suspended its operations at the Beaufor Mine and at the Beacon Mill, respectively, and placed the mine and mill in care and maintenance. In connection with this suspension of operations the Company performed an impairment test of the Beaufor / Beacon CGU which resulted in an impairment charge of \$22,000,000.

The estimated recoverable amount of the Beaufor / Beacon CGU was based on the fair value less costs of disposal and was determined based on purchase offers received by the Entity.

Why the matter is a key audit matter

We identified the impairment of non-financial assets related to operating mining assets of the Beaufor / Beacon CGU as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the non-financial assets related to mining assets in operation and the high degree of estimation uncertainty in determining the recoverable amount of such non-financial assets. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the estimated recoverable amount of the Beaufor / Beacon CGU by comparing it against a recoverable amount range that was independently developed by:

- Considering the offers to purchase the operating mining assets that were received by the Entity
- Using recent publicly available comparable transactions for similar assets and capitalization rates of comparable entities in the mining industry.

Other information

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

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

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's 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 (IFRS), 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.

Auditor's 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 auditor's report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's 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 auditor's 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Marc-André Fontaine.



Montréal, Canada

September 28, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	NOTES	JUNE 30, 2023	JUNE 30, 2022
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		231,892	9,339,558
Restricted cash	10	1,000,000	1,000,000
Investments	5	—	852,319
Commodity taxes and other receivables		75,296	2,272,971
Inventories	6	785,763	2,239,423
Asset held for sale	21	5,656,399	—
Prepaid expenses		283,595	555,392
		8,032,945	16,259,663
NON-CURRENT ASSETS			
Restricted cash	10	—	6,000,000
Deposits		158,300	132,400
In trust deposits	12	1,053,186	1,551,594
Property, plant and equipment	7	16,448,903	39,590,572
Mining properties	8	5,682,373	8,641,808
Exploration and evaluation assets	9	14,303,645	21,719,182
		37,646,407	77,635,556
		45,679,352	93,895,219
LIABILITIES			
CURRENT LIABILITIES			
Trade payables, accrued liabilities and provision		13,502,635	12,972,813
Current portion of long-term debt	10	12,924,525	6,965,064
Liabilities held for sale	21	653,967	—
Current portion of other liabilities	11	48,941	1,075,055
		27,130,068	21,012,932
NON-CURRENT LIABILITIES			
Long-term debt	10	359,057	12,435,785
Other liabilities	11	4,173,477	5,117,048
Deferred income taxes and mining taxes		—	1,776,839
Asset retirement obligations	12	4,508,376	4,680,206
		9,040,910	24,009,878
		36,170,978	45,022,810
SHAREHOLDER'S EQUITY			
Share capital and warrants	13	83,170,409	73,588,906
Contributed surplus		1,748,270	1,472,521
Deficit		(75,410,305)	(26,189,018)
		9,508,374	48,872,409
		45,679,352	93,895,219

Reporting entity and nature of operations (Note 1); Going concern (Note 2); Commitments and contingencies (Note 15); Subsequent events (Note 23).

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

'Jean-Marc Lacoste', Director

'Michel Bouchard', Director



CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

YEARS ENDED JUNE 30, 2023 AND 2022

	NOTES	2023	2022
		\$	\$
Revenues from gold sales		5,093,466	—
Cost of sales	16	(18,390,772)	—
Loss from mine operations		(13,297,306)	—
Administration expenses	16	(4,386,513)	(8,902,910)
Operating expenses		—	(12,473,263)
Care and maintenance expenses		(3,334,693)	—
Exploration expenses		(213,904)	(3,646,827)
Operating loss		(21,232,416)	(25,023,000)
Finance income		109,485	106,529
Finance expense	16	(1,621,629)	(518,265)
Change in fair value of investments	5	(197,599)	(752,191)
Gain on disposal of assets	8	1,475,000	16,259,338
Impairment of property, plant and equipment	7, 21	(22,000,000)	(13,000,000)
Impairment of mining properties and exploration and evaluation assets	9, 21	(8,958,087)	—
Gain on settlement of trade payables	16	196,055	—
Revaluation of financial liabilities related to tonnes milled at Beacon Mill	11	1,347,721	(972,621)
Other income (expenses)		261,247	(30,521)
Provision	15	(1,156,285)	—
Other income related to flow-through shares		954,693	1,836,992
Loss before taxes		(50,821,815)	(22,093,739)
Current income taxes and recovery of deferred mining taxes		1,751,121	960,233
Net loss and comprehensive loss		(49,070,694)	(21,133,506)
Basic and diluted net loss per share	19	(0.28)	(0.24)
Weighted average number of shares outstanding		174,975,760	88,028,152

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2023 AND 2022

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2022	73,588,906	1,472,521	(26,189,018)	48,872,409
EQUITY FINANCING				
Issuance of shares (Note 13)	8,337,369	—	—	8,337,369
Issuance of flow-through shares (Note 13)	999,997	—	—	999,997
Premium on flow-through shares (Note 13)	(174,285)	—	—	(174,285)
Settlement of restricted share units into common shares (Note 13)	409,481	(425,150)	—	(15,669)
Share issuance expenses (Note 13)	—	—	(141,652)	(141,652)
Issuance of warrants to brokers (Note 13)	8,941	—	(8,941)	—
SHARE-BASED COMPENSATION - OPTIONS AND RESTRICTED SHARE UNITS				
Granted to employees, officers, directors, consultants (Notes 13 and 14)	—	700,899	—	700,899
	83,170,409	1,748,270	(26,339,611)	58,579,068
NET LOSS FOR THE YEAR	—	—	(49,070,694)	(49,070,694)
BALANCE AS AT JUNE 30, 2023	83,170,409	1,748,270	(75,410,305)	9,508,374

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2023 AND 2022

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2021	52,733,523	404,572	(3,325,714)	49,812,381
EQUITY FINANCING				
Issuance of shares (Note 13)	15,150,000	—	—	15,150,000
Issuance of flow-through shares (Note 13)	5,992,941	—	—	5,992,941
Premium on flow-through shares (Note 13)	(998,823)	—	—	(998,823)
Settlement of restricted share units into common shares (Note 13)	247,261	(399,392)	—	(152,131)
Share issuance expenses (Note 13)	—	—	(1,270,157)	(1,270,157)
Exercise of replacement Monarch warrants (Note 13)	4,363	—	—	4,363
Issuance of warrants to brokers (Note 13)	459,641	—	(459,641)	—
SHARE-BASED COMPENSATION - OPTIONS AND RESTRICTED SHARE UNITS				
Granted to employees, officers, directors, consultants (Notes 13 and 14)	—	1,467,341	—	1,467,341
	73,588,906	1,472,521	(5,055,512)	70,005,915
NET LOSS FOR THE YEAR	—	—	(21,133,506)	(21,133,506)
BALANCE AS AT JUNE 30, 2022	73,588,906	1,472,521	(26,189,018)	48,872,409

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	NOTES	2023	2022
		\$	\$
Operating activities			
Net loss for the year		(49,070,694)	(21,133,506)
Adjustments for:			
Amortization	7	985,339	73,260
Share-based compensation	16	700,899	1,467,341
Amortization of financing costs	10	288,534	96,177
Interest on lease liabilities	10	50,271	18,391
Accretion expense on asset retirement obligations	12	149,492	81,944
Interest on the royalties buy-back options		–	273,111
Accretion expense of financial liabilities on tonnes milled at the Beacon Mill	11	158,444	22,209
Revaluation of financial liabilities on tonnes milled at the Beacon Mill	11	(1,347,721)	972,621
Change in fair value of investments	5	197,599	752,191
Gain on disposal of assets	8	(1,475,000)	(16,259,338)
Impairment of property, plant and equipment	7, 21	22,000,000	13,000,000
Impairment of mining properties and exploration and evaluation assets	9, 21	8,958,087	–
Gain on debt settlement		(196,055)	–
Other income related to flow-through shares		(954,693)	(1,836,992)
Provision		1,156,285	–
Deferred mining taxes		(1,776,839)	(960,233)
Change in non-cash operating working capital	17	6,833,123	8,425,392
		(13,342,929)	(15,007,432)
Financing activities			
Restricted cash		6,000,000	(6,000,000)
Term loan	10	(6,000,000)	18,500,000
Financing costs		–	(384,711)
Repayment of lease liabilities	10	(456,072)	(194,734)
Issuance of shares	13	4,119,932	15,150,000
Issuance of Flow-through shares	13	999,997	5,992,941
Share issue expenses		(141,652)	(1,270,157)
Withholding taxes paid based on settlement of restricted share units in common shares		(15,669)	(152,131)
Exercise of replacement Monarch warrants		–	4,363
		4,506,536	31,645,571
Investing activities			
Proceeds of disposition of investments	5	654,720	123,490
Acquisition of investments		–	(1,728,000)
Deposits		(25,900)	–
Restricted cash		–	(1,000,000)
In trust deposits		(57,991)	(93,495)
Proceeds from the sale of royalties		–	17,024,100
Acquisition of property, plant and equipment		(121,773)	(37,184,842)
Proceeds from the sale of property, plant and equipment		253,574	–
Proceed from disposition of mineral properties		1,475,000	310,000
Increase in exploration and evaluation assets	9	(2,448,903)	(5,230,291)
		(271,273)	(27,779,038)
Change in cash and cash equivalents		(9,107,666)	(11,140,899)
Cash and cash equivalents, beginning of year		9,339,558	20,480,457
Cash and cash equivalents, end of year		231,892	9,339,558

Other cash flow information (Note 17)

The accompanying notes are an integral part of these consolidated financial statements.



1. REPORTING ENTITY AND NATURE OF OPERATIONS

Monarch Mining Corporation (the "Company"), incorporated on November 11, 2020 under the *Canada Business Corporations Act*, specializes in the development and exploration of mining properties. Its shares have been trading on the Toronto Stock Exchange since January 27, 2021 under the symbol GBAR. Its activities are in Canada.

The Company's head office address is Stein Monast building, 70 Dalhousie Street, Suite 300, Québec (Québec) G1K 4B2 Canada and its website is www.monarchmining.com.

2. GOING CONCERN

Since its incorporation, the Company has incurred operating losses and negative cash flows related to the operations, exploration and development of its mining properties. As at June 30, 2023, the Company had a deficit of \$75,410,305 and cash and cash equivalents of \$231,892. As at June 30, 2023, the Company has negative working capital (current liabilities in excess of current assets) of \$19,097,123.

On September 27, 2022 and October 13, 2022, the Company suspended its operations at the Beaufor Mine and at the Beacon Mill, respectively and placed the mine and mill in care and maintenance.

The Company needs to secure additional funds to meet all existing commitments and obligations, including its long-term debt described in note 10, and to provide for administration expenses and care and maintenance expenses for the next 12 months. The Company is continuing its review of all options available, including from the sale of assets, the issuance of securities or from other types of arrangements or restructuring. The Company sold the Croinor property in July 2023 for a total consideration of \$4.5 million, including a cash consideration of \$2 million. See notes 21 and 23. There is no assurance that additional funds will be available or available on terms acceptable to the Company or that the Company will be able to succeed in completing a strategic transaction.

These conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on the going concern basis, where assets are realized and liabilities are settled in the normal course of business, and do not reflect the adjustments that would be necessary to the carrying amounts of assets and liabilities, the amounts reported for revenues and expenses, and the classification of items in the statement of financial position if the going concern assumption were not appropriate. These adjustments could be material.

3. BASIS OF PREPARATION**A) STATEMENT OF COMPLIANCE**

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

The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect at the reporting date. On September 27, 2023, the Board of Directors approved these consolidated financial statements.

B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for:

- equity investments in publicly traded companies that are measured at fair value.
- share-based payment arrangements classified as equity are measured at fair value at the grant date in accordance with IFRS 2, Share-based Payment
- asset retirement obligations that are measured at the present value of the expected expenditures to settle the obligation.

C) FUNCTIONAL AND PRESENTATION CURRENCY

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

D) BUSINESS SEGMENT

The Company operates in one business segment, namely the mining and exploration of mining properties. All of the Company's assets are located in the Province of Québec, Canada.

E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Any revisions to accounting estimates are recognized in the year in which the estimates are revised as well as in future years affected by such revisions.

3. BASIS OF PREPARATION (CONTINUED)**E) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**

Information about assumptions and estimation uncertainties that have a significant risk of causing a material adjustment in the next fiscal year is described below:

i) Mineral reserves and resources*Key sources of estimation uncertainty*

Mineral reserves and resources have been estimated by qualified persons in technical reports 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 and mining dilution subsequent to the date of an estimate, may result in revisions of such estimates.

Mineral reserve and resource estimates affect a number of accounting estimates as described in the relevant notes to the accounting policies:

- Exploration and evaluation of mineral resources and determination of technical feasibility and commercial viability. The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits may be realized, which are based on assumptions about future events and circumstances.
- Impairment and reversal of impairment analysis of non-financial assets including evaluation of estimated future cash flows of cash-generating units ("CGU").
- Estimates of the outlays and their timing for asset retirement obligations

ii) Impairment and reversal of impairment analysis for non-financial assets*Key sources of estimation uncertainty*

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

If an indication of impairment or reversal of a previous impairment charge exists, an estimate of the CGU's recoverable amount is calculated. Management is required to make significant estimates in order to determine the recoverable amount of the CGU, including estimating fair value less costs to sell or value-in-use (discounted future cash flows) relating to the CGU. Differences in estimates could affect whether and how much the non-financial assets are actually impaired.

3. BASIS OF PREPARATION (CONTINUED)**E) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)****ii) Impairment and reversal of impairment analysis for 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 of impairment such as a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological reassessment 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) Asset retirement obligations*Main sources of uncertainty in the estimates*

Asset retirement obligations are determined using management's best estimates of the probable amounts of future cash outflows, the expected timing of payments and discount rates.

iv) Financial liabilities on tonnes milled at the Beacon Mill*Main sources of uncertainty in the estimates*

Financial liabilities on tonnes milled at the Beacon Mill are determined using management's best estimates of the expected timing of payments and discount rates.

v) Sale of royalties*Judgments made regarding accounting policies*

Management must exercise its judgment to assess the appropriate accounting treatment for the royalty sales (Note 7 and 8) and the allocation of the proceeds between the mineral properties disposed, the exploration and evaluation assets and the financial liability on the tonnes milled at the Beacon Mill. The Company reviewed the specific terms of the agreements to determine whether it had disposed of an interest in the reserves and resources of the properties. The valuation considered the rights attributed to the consideration and the risks and rewards associated with it over the life of the transaction.

3. BASIS OF PREPARATION (CONTINUED)**E) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)****vi) Inventories***Main sources of uncertainty in the estimates*

In determining the lower of cost and net realizable value of inventory, the Company estimates the likelihood that inventory carrying values will be affected by changes in market condition and expected use of inventory which could make inventory on hand recoverable at less than the recorded value. The Company performs regular reviews to assess the impact of changes in market condition and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have a negative impact on the value of inventory on hand, an appropriate write-down is made.

vii) Going concern

The assessment of the Company's ability to fund its future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on budget forecasts and expectations of future events that are believed to be reasonable under the current circumstances. However, this assessment could be affected by economic, financial and other future events that are beyond the Company's control.

4. SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF CONSOLIDATION**i) Subsidiaries**

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

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

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

ii) Transactions eliminated on consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B) REVENUE RECOGNITION**

Revenue includes precious metals revenue (gold and silver).

Precious metals revenue, based on spot metal prices, is recorded when the goods are physically delivered. The performance obligations are satisfied when the metals are transferred to customer accounts. At this point in time, the Company physically transfers the product, and control and ownership of the metals transfers to clients.

C) MINING PROPERTIES AND DEVELOPMENT COSTS

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

Beginning of the exploration and evaluation phase

At the time of the exploration phase, the Company capitalizes exploration and evaluation costs. Exploration and evaluation costs include those associated with geological and geophysical studies, 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.

Beginning of the commercial production phase

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 will flow to the Company. Otherwise, these expenses are classified as operation expenses in the consolidated statement of net loss and comprehensive loss. Once the commercial production phase has commenced, the mining properties are depreciated over the useful life of the mine using the unit of production method, based on the mine's estimated proven and probable mineral reserves and the portion of measured, indicated and inferred mineral resources expected to be classifiable as reserves for the corresponding mines. The Company determines the portion of mineral resources expected to be classified in reserves by considering the extent to which cost-effective mining is probable, which depends on assumptions on long-term metal prices, cut-off grade assumptions, and drilling results. These assessments are made for each individual mine.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**E) INVENTORY**

Supplies and ore inventories are valued at the lower of cost and net realizable value. The cost of supplies and ore inventories is determined using the weighted average cost method. The cost of ore inventories includes all costs directly attributable to the process of extracting and processing ore, including the systematic allocation of fixed and variable production overheads incurred in extracting and processing ore.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The expensed cost of inventories is included in operating expenses.

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 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 the Beaufor mining property

Property, plant and equipment of the Beaufor mining site are depreciated using the units-of-production method.

Depreciation of other property, plant and equipment

Depreciation of property, plant and equipment is calculated on a straight-line basis over their expected useful lives as follows:

- Equipment and leasehold improvements: 5 to 10 years
- Right-of-use assets: lease term

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) FINANCIAL INSTRUMENTS

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

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

The Company has classified its financial instruments as follows:

CATEGORY	FINANCIAL INSTRUMENT
Financial assets at amortized cost	➤ Cash and cash equivalents
	➤ Restricted cash
	➤ In trust deposits
Financial assets at fair value through profit or loss	➤ Investments
Financial liabilities at amortized cost	➤ Trade and other payables
	➤ Financial liabilities on tonnes milled at the Beacon Mill
	➤ Term loans

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

H) IMPAIRMENT

Financial instruments

The Company uses the prospective model based on expected losses to calculate the impairment of financial assets. The application of the expected loss model requires 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, the impairment model is applied to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

Impairment losses, if any, would be recognized in the consolidated statement of net loss and comprehensive loss and the carrying amount of the financial asset or group of assets would be reduced through an allowance account for credit losses. If the amount of the impairment loss decreases in a subsequent period, and the decrease can be objectively related to conditions and changes in factors that arose after the initial recognition of the impairment, the previously recognized impairment loss would be reversed through the consolidated statement of net loss and comprehensive loss. The reversal of the impairment loss would be limited to the amount of the decrease in the impairment loss and, after the reversal, the carrying amount of the financial asset at the date of reversal of the impairment could not exceed the amortized cost that would have resulted had the impairment not been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**H) IMPAIRMENT (CONTINUED)*****Non-financial assets***

The carrying amount of mining properties and exploration and evaluation assets is tested for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future.
- No significant future exploration expenditures are foreseen.
- No commercially mineable quantity has been discovered, and exploration and evaluation activities on this property will cease.
- The recovery of the value of the exploration and evaluation assets through their development or sale is unlikely.

If such circumstances exist, the recoverable amount of the asset is estimated.

The carrying amount of property, plant and equipment and right-of-use assets are reviewed at each reporting date to determine whether there is any indication of impairment. The indicators of impairment for these assets are different from those related to mining properties and exploration and evaluation assets.

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit" or "CGU") 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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 level identified by the Company for the purposes of testing mining properties and exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount of the asset is reduced to its 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 Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**J) SHARE CAPITAL AND WARRANTS*****Common shares***

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

Flow-through shares

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

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

A company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “retrospective” method.

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

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

The Company applies the retrospective method.

Warrants

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

K) SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of share-based payment awards granted to employees, directors, consultants and brokers is recognized as an expense, with the offsetting increase in contributed surplus recorded over the period in which the participants become unconditionally entitled to share-based payments. The amount recognized as an expense is adjusted to reflect the number of units expected to meet the service conditions, such that the amount recognized as an expense depends on the number of units that meet the service conditions at the vesting date. For share-based payment awards with conditions attached to the vesting of the award, the fair value at the date of grant of the share-based payment is measured to reflect these conditions, with no adjustment for differences between expected and actual outcomes.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**K) SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)**

Share-based payment arrangements under which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the Company obtained the equity instruments. The Company measures the goods or services received, and the resulting increase in equity, at the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case the fair value will be determined indirectly, by reference to the fair value of the equity instruments granted.

Restricted share unit

Restricted share units ("RSUs") may be granted to employees, directors and officers as part of their long-term compensation program, entitling them to receive payment in the form of common shares, cash (based on the Company's share price at the time) or a combination of common shares and cash, at the Company's sole discretion. The fair value of the RSUs, which will be settled in common shares, is measured at the date of grant and is recognized over the vesting period in contributed surplus with a corresponding charge to share-based compensation.

L) INCOME TAX

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 profit or loss, nor taxable income (deductible loss), and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that these differences will not reverse in the foreseeable future.

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 tax credits 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.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**M) REFUNDABLE CREDIT ON MINING DUTIES AND REFUNDABLE TAX CREDIT RELATED TO RESOURCES (CONTINUED)**

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 sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. Credits on mining duties are therefore recorded as a government grant which is recorded against exploration and evaluation assets.

N) LEASES

At the inception of a lease, the Company assesses whether the lease is or contains a lease by determining whether it conveys the right to control the use of a specific asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the inception of the lease. The right-of-use asset is initially measured at the original amount of the lease liability, adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and estimated costs to dismantle and remove or restore the underlying asset or the site on which it is located, net of any inducements received.

Right-of-use assets are subsequently depreciated from the date of commencement to the end of the useful life of the right-of-use asset, or to the end of the lease term if earlier, on a straight-line basis. The lease term includes consideration of a renewal or termination option if the Company is reasonably certain of exercising that option. In addition, the right-of-use asset is periodically written down for impairment, if any, and is adjusted for certain revaluations of the lease obligation.

The lease liability is initially measured at the present value of the unpaid lease payments at the inception date, calculated using the interest rate implicit in the lease agreement or, if such rate is not readily determinable, the Company's incremental borrowing rate. The Company generally uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest rate method. It is revalued when there is a change in future lease payments primarily due to a change in index or rate, or a change in the amounts the Company expects to be payable under a residual value guarantee, or when the Company changes its assessment of the potential exercise of a purchase, renewal or termination option.

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

Payments associated with short-term (12 months or less) and low-value asset leases are recognized as an expense in the consolidated statement of net loss and comprehensive loss on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**O) EARNINGS PER SHARE**

The Company presents basic and diluted earnings for its common shares. Basic earnings are calculated by dividing the profit or loss attributable to the Company's common shareholders by the weighted average number of common shares outstanding during the year, adjusted for shares held. For the purpose of calculating diluted earnings per share, income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for shares held, must be adjusted for the effects of all potentially dilutive common shares, which include warrants, RSUs and share options granted.

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

New or revised accounting standards or interpretations and modifications to significant accounting policies Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company. At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

5. INVESTMENTS

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Balance, beginning of year	852,319	–
Acquisitions	–	1,728,000
Disposals	(654,720)	(123,490)
Change in fair value	(197,599)	(752,191)
Balance, end of year	–	852,319

As at June 30, 2022, and until disposal in fiscal 2023, the Company held equity investments in other companies listed on the Canadian Venture Exchange ("CDNX").

6. INVENTORIES

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Supplies	785,763	2,239,423
	785,763	2,239,423

During the year ended June 30, 2023, the Company recognized a provision for inventory obsolescence of \$873,580 (2022-\$281,723).

During the year ended June 30, 2023, the Company recognized an amount of \$18,906,487 (2022-\$nil) of inventories in cost of sales.

During the year ended June 30, 2022, the Company built up an inventory of low-grade mineralized material on the surface from the first few weeks of milling at the Beacon Mill. As at June 30, 2022, the inventory had a nominal net realizable value and the entire ore inventory of \$7,402,002 was written off and recorded under operating expenses (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

7. PROPERTY, PLANT AND EQUIPMENT

	EQUIPMENT AND LEASEHOLD IMPROVEMENTS	MINING ASSETS UNDER CONSTRUCTION	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT ^(A)	TOTAL
	\$	\$	\$	\$	\$
COST					
Balance as at June 30, 2021	731,318	11,000,093	913,413	3,637,998	16,282,822
Acquisitions	154,777	35,928,422	–	4,270,079	40,353,278
Adjustments related to asset retirement obligations	–	(383,728)	(42,211)	–	(425,939)
Capitalized interest	–	810,753	–	–	810,753
Reclassification	(226,323)	–	–	226,323	–
Dispositions	(123,966)	(1,809,323)	(107,942)	–	(2,041,231)
Balance as at June 30, 2022	535,806	45,546,217	763,260	8,134,400	54,979,683
Acquisitions	–	121,773	–	–	121,773
Adjustments related to asset retirement obligations	–	262,003	70,642	–	332,645
Dispositions	–	(100,106)	–	(544,061)	(644,167)
Balance as at June 30, 2023	535,806	45,829,887	833,902	7,590,339	54,789,934
ACCUMULATED AMORTIZATION					
Balance as at June 30, 2021	230,196	–	317,803	1,780,502	2,328,501
Reclassification	(78,674)	–	–	78,674	–
Dispositions	(12,650)	–	–	–	(12,650)
Impairment (Note 21)	–	13,000,000	–	–	13,000,000
Amortization	73,260	–	–	–	73,260
Balance as at June 30, 2022	212,132	13,000,000	317,803	1,859,176	15,389,111
Impairment (Note 21)	–	22,000,000	–	–	22,000,000
Dispositions	–	–	–	(33,419)	(33,419)
Amortization	177,146	130,891	3,365	673,937	985,339
Balance as at June 30, 2023	389,278	35,130,891	321,168	2,499,694	38,341,031
NET CARRYING AMOUNT					
Balance as at June 30, 2022	323,674	32,546,217	445,457	6,275,224	39,590,572
Balance as at June 30, 2023	146,528	10,698,996	512,734	5,090,645	16,448,903

^(A) Included in buildings and equipment as at June 30, 2023 is \$639,415 (\$1,188,326 as at June 30, 2022) of right-of-use assets.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sale of royalties to Gold Royalty Corp.

On March 29, 2022, the Company sold royalties to Gold Royalty Corp. for \$4.5 million in cash. The agreement includes the following royalties:

- 0.25% on net smelter returns ("NSR") from production at Croinor Gold, McKenzie Break and Swanson.
- \$1.25 per tonne milled at the Beacon Mill.
- Cancellation of buy-back options sold on August 5, 2021.

The sale of the royalties has been divided into three parts for accounting purposes:

- i) Sale of a portion of the Croinor Gold, McKenzie Break and Swanson mining properties as control over a portion of future gold production is transferred to the buyer for the 0.25% NSR royalty.
- ii) Financial liability, in accordance with IFRS 9, for the contractual obligation to pay a royalty of \$1.25 per tonne on tonnes milled at the Beacon Mill.
- iii) Cancellation of options to buy back a 1.25% NSR royalty on the Croinor Gold, McKenzie Break and Swanson mining properties.

The proceeds of disposition were allocated to the various components based on the estimated present value of the expected cash flows on each component. The carrying value of the mining properties disposed was determined in proportion of the percentage of the estimated carrying value that was sold.

	DISPOSITION OF MINING PROPERTIES	CANCELLATION OF THE ROYALTIES BUY-BACK OPTIONS	ROYALTY ON TONNES MILLED AT THE BEACON MILL	TOTAL
	\$	\$	\$	\$
Proceeds of disposition	1,727,133	–	2,772,867	4,500,000
Carrying value sold	(161,539)	–	–	(161,539)
Liability under IFRS 9	–	–	(2,772,867)	(2,772,867)
Cancellation of the buy-back options sold on August 5, 2021	–	3,146,426	–	3,146,426
Gain on disposal recognized in earnings	1,565,594	3,146,426	–	4,712,020

Royalty amendment to Metalla & Streaming Ltd ("Metalla")

On February 16, 2022, the Company amended a 1% NSR agreement on gold production at the Beaufor Mine owned by Metalla in consideration of a cash payment of \$1,274,100 (US\$1 million). As a result, the clause stipulating that the royalty will be waived until 100,000 ounces of gold have been produced has been removed, making the royalty effective from the first ounces of gold produced.

	DISPOSITION OF MINING PROPERTY AND MINING ASSETS UNDER CONSTRUCTION
	\$
Proceed of disposition	1,274,100
Carrying value sold	(433,361)
Gain on disposal recognized in earnings	840,739

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sale of royalties to Triple Flag Precious Metals Corp. ("Triple Flag")

On February 4, 2022, the Company concluded an agreement with Triple Flag whereby Triple Flag acquired an additional 0.75% NSR on gold production at the Beaufor Mine in consideration of a cash payment of \$4.5 million.

	DISPOSITION OF MINING PROPERTY AND MINING ASSETS UNDER CONSTRUCTION
	\$
Proceed of disposition	4,500,000
Carrying value sold	(1,483,904)
Gain on disposal recognized in earnings	3,016,096

Sale of royalties to Gold Royalty Corp.

On August 5, 2021, the Company sold royalties to Gold Royalty Corp. for \$11.25 million in cash. This amount was receivable in two tranches, \$7.5 million at closing and \$3.75 million after six months. The agreement includes the following royalties:

- 2.5% on NSR from production at Croinor Gold, McKenzie Break and Swanson (1.25% redeemable for \$2 million per royalty after December 31, 2027, for a period of 30 days if the London Bullion Market Association gold price exceeds US\$2,000 per ounce for 30 consecutive days).
- \$2.50 per tonne milled at the Beacon Mill from the Beaufor Mine.

Gold Royalty Corp. also acquired the option to repurchase a 1% NSR royalty on the Beaufor mining property from the Caisse de dépôt et placement du Québec ("CDPQ") and the Company's existing repurchase rights relating to this 1% NSR were cancelled and removed. The carrying value of this redemption option was \$1,551,911 and was recorded as a gain on disposal of asset in the consolidated statement of net loss and comprehensive loss.

The sale of the royalties has been divided into three parts for accounting purposes:

- Sale of a portion of the Croinor Gold, McKenzie Break and Swanson mining properties as control over a portion of future gold production is transferred to the purchaser for the 1.25% NSR royalty.
- Financial liability, in accordance with IFRS 15, for the buy-back options of a 1.25% NSR royalty on the Croinor Gold, McKenzie Break and Swanson mining properties because control of this portion of future gold production is not deemed to be transferred to the purchaser due to the Company's right to exercise the buy-back options after December 31, 2027, under certain conditions.
- Financial liability, in accordance with IFRS 9, for the contractual obligation to pay a royalty of \$2.50 per tonne on tonnes milled at the Beacon Mill from the Beaufor Mine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sale of royalties to Gold Royalty Corp. (continued)

The proceeds of disposition have been allocated to the various components based on the estimated present value of the cash flows expected from each component. The carrying value of the mining properties disposed of has been determined in proportion of the percentage of the estimated carrying value that has been sold.

	DISPOSITION OF MINING PROPERTIES	ROYALTIES BUY-BACK OPTIONS	ROYALTY ON TONNES MILLED AT THE BEACON MILL	TOTAL
	\$	\$	\$	\$
Proceed of disposition	6,757,681	2,897,262	1,595,057	11,250,000
Carrying value sold	(775,305)	–	–	(775,305)
Liability under IFRS 9	–	–	(1,595,057)	(1,595,057)
Royalties buy-back options under IFRS 15	–	(2,897,262)	–	(2,897,262)
Gain on disposal recognized in earnings	5,982,376	–	–	5,982,376

8. MINING PROPERTIES

PROPERTIES ^{(1) (2)}	JUNE 30, 2022	ADDITION	TRANSFER TO ASSETS HELD FOR SALE (NOTE 21)	JUNE 30, 2023
	\$	\$	\$	\$
McKenzie Break	3,877,972	–	–	3,877,972
Croinor Gold	2,959,435	–	(2,959,435)	–
Swanson and others	1,804,401	–	–	1,804,401
	8,641,808	–	(2,959,435)	5,682,373

(1) The mining properties are all located in the Province of Québec, Canada.

(2) The mining claims included in the properties were acquired under various agreements or by map designation and, accordingly, the applicable royalties, if any, are covered by specific agreements.

PROPERTIES ^{(1) (2)}	JUNE 30, 2021	ADDITIONS ⁽³⁾	DISPOSAL ⁽⁴⁾	SALES OF ROYALTIES (NOTE 8) ⁽⁵⁾	JUNE 30, 2022
	\$	\$	\$	\$	\$
McKenzie Break	3,957,574	14,320	–	(93,922)	3,877,972
Croinor Gold ⁽⁵⁾	3,013,049	64,747	–	(118,361)	2,959,435
Swanson and others	1,952,556	–	(42,488)	(105,667)	1,804,401
	8,923,179	79,067	(42,488)	(317,950)	8,641,808

(1) The mining properties are all located in the Province of Québec, Canada.

(2) The mining claims included in the properties were acquired under various agreements or by map designation and, accordingly, the applicable royalties, if any, are covered by specific agreements.

(3) Changes in assumptions for asset retirement obligations.

(4) The Company disposed of mining properties and equipment in consideration of \$310,000 in cash. The carrying value of these mining properties was \$42,488 and \$111,316 of equipment (see Note 8). A gain of \$156,196 was recorded in the consolidated statement of net loss and comprehensive loss.

(5) The Company has allocated the sale of royalties between the mining properties and the exploration and evaluation assets in proportion to their carrying value.

The Company realized a gain on disposal of assets during the year ended June 30, 2023 related to a previous transaction completed by Monarch Gold Corporation. A milestone was achieved by another company which triggered a cash payment of \$1.475 million to the Company. Because the milestone was not in the control of the Company, the gain was recognized only once the milestone was achieved.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

9. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are as follows:

	JUNE 30, 2022	EXPLORATION AND EVALUATION EXPENSES	IMPAIRMENT (NOTE 21)	TRANSFER TO ASSETS HELD FOR SALE (NOTE 21)	JUNE 30, 2023
	\$	\$	\$		\$
Croinor Gold	11,086,024	12,628	(8,958,087)	(2,140,565)	–
McKenzie Break	8,641,319	3,004,176	–	–	11,645,495
Swanson and others	1,991,839	666,311	–	–	2,658,150
	21,719,182	3,683,115	(8,958,087)	(2,140,565)	14,303,645

	JUNE 30, 2021	EXPLORATION AND EVALUATION ASSETS	SALES OF ROYALTIES (NOTE 8)	JUNE 30, 2022
	\$	\$	\$	\$
Croinor Gold	11,417,218	114,240	(445,434)	11,086,024
McKenzie Break	5,645,096	3,139,252	(143,029)	8,641,319
Swanson and others	275,587	1,746,683	(30,431)	1,991,839
	17,337,901	5,000,175	(618,894)	21,719,182

Exploration and evaluation expenses by nature are as follows:

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Exploration and evaluation expenses:		
Salaries, supervision and consultants	60,835	299,340
Geology and geophysics	1,657,153	2,204,258
Test, sampling and prospecting	237,104	24,028
Drilling, equipment rental and other material	1,728,023	2,471,125
Accommodation, meals and travel expenses	–	1,424
Increase in exploration and evaluation expenses	3,683,115	5,000,175
Disposal	–	(618,894)
Transfer to assets held for sales (Note 21)	(2,140,565)	–
Impairment (Note 21)	(8,958,087)	–
Balance, as at June 30, 2022 and 2021	21,719,182	17,337,901
Balance, as at June 30, 2023 and 2022	14,303,645	21,719,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

10. LONG-TERM DEBT

	TERM LOANS	LEASE LIABILITIES	TOTAL
	\$	\$	\$
Balance as at June 30, 2021	–	34,882	34,882
Additions	18,500,000	1,330,844	19,830,844
Financing costs	(384,711)	–	(384,711)
Amortization financing costs	96,177	–	96,177
Accrued interest for the year	–	18,391	18,391
Repayment	–	(194,734)	(194,734)
Balance as at June 30, 2022	18,211,466	1,189,383	19,400,849
Amortization financing costs	288,534	–	288,534
Accrued interest for the year	–	50,271	50,271
Repayment	(6,000,000)	(456,072)	(6,456,072)
Balance as of June 30, 2023	12,500,000	783,582	13,283,582
Current portion	12,500,000	424,525	12,924,525
Non-current portion	–	359,057	359,057

On August 14, 2021, the Company contracted a 3-year term loan with Investissement Québec ("IQ") in the amount of \$13.5 million, at 6% interest per annum. This loan was initially repayable in equal quarterly principal payments over a period of eight quarters beginning on the first anniversary of the loan and a final payment amounting to \$10.125 million was payable on August 14, 2024.

On June 8, 2022, the Company contracted an additional loan of \$5.0 million with IQ, at 6% interest per annum, paid monthly.

The loans are secured by a first ranking hypothec on the universality of the Company's movable and immovable assets.

Under the term loan with IQ, the Company was required to make principal and interest payments in October 2022. The Company did not make these payments due to cash restrictions. As a result, the Company is in default of its conditions under the agreement and therefor the term loan is entirely presented in the current portion.

On October 17, 2022, IQ and the Company agreed to release the \$6 million restricted cash to repay a portion of the term loans.

Credit facility

The Company also has a \$2.0 million credit facility with a Canadian chartered bank bearing interest at prime rate plus 2.5%. The facility is secured by \$1.0 million of guaranteed investment certificates redeemable on demand and recorded in restricted cash. The amount available at June 30, 2023 is \$1,336,930 net of \$663,070 (1,046,865 at June 30, 2022) used and recorded as lease liabilities (Note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

11. OTHER LIABILITIES

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Flow-through shares liability	48,941	829,349
Financial liabilities on tonnes milled at the Beacon mill	4,173,477	5,362,754
Balance, end of year	4,222,418	6,192,103
Current portion	48,941	1,075,055
Non-current portion	4,173,477	5,117,048

The financial liabilities on tonnes milled at the Beacon Mill are accounted for as financial instruments and the accretion is recognized as financial expense in the consolidated statement of net loss and comprehensive loss.

The variations in other liabilities were as follows:

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Balance, beginning of year	6,192,103	3,195,482
New flow-through share liability during the year	174,285	998,823
Flow-through share liability transferred to earnings during the year	(954,693)	(1,836,992)
Revaluation of financial liability on tonnes milled at the Beacon Mill ⁽¹⁾	(1,347,721)	972,621
Accretion expense on financial liability on tonnes milled at the Beacon Mill	158,444	22,209
New royalty buy-back options	–	2,897,262
Accretion expense resulting from royalty buy-back options	–	249,164
Disposition of the royalty buy-back options	–	(3,146,426)
New financial liabilities on tonnes milled at the Beacon Mill	–	4,367,924
Accretion expense resulting from the buy-back option of a 1% NSR royalty on the Beaufor property	–	23,947
Disposition of the buy-back option of a 1% NSR royalty on the Beaufor property	–	(1,551,911)
Balance, end of year	4,222,418	6,192,103

⁽¹⁾ During the year ended June 30, 2023, the Company reviewed its production schedule following the decision to place the Beacon Mill on care and maintenance. The change related to this assumption resulted in a reduction of the financial liability on tonnes milled at the Beacon Mill of \$1,347,721.

Financial expenses for the financial liabilities on the tonnes milled at the Beacon Mill of \$158,444 are accounted for the years ended June 30, 2023 (\$22,209 in 2022). Finance expenses for the royalty buy-back options of nil are expensed for the years ended June 30, 2023 (\$273,111 in 2022).

12. ASSET RETIREMENT OBLIGATIONS

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

The inflation rate (adjusted for risks specific to this liability) used to determine the future value of the bonds is based on the expected life of the transactions, is 4.0% (3.5% in 2022). The rate reflecting current market assessments used to determine the present value of the bonds is 3.35% (3.2% in 2022). The payment schedule was determined taking into account the proven and probable reserves and resources, the expected annual production level and the estimated life of the mine and mill.

The following table presents the estimated undiscounted cash flows resulting from the future reclamation costs used in the calculation of the asset retirement obligations for the year ended June 30, 2023:

	TOTAL ESTIMATED DISBURSEMENT	
	AMOUNT EXPECTED	DISBURSEMENT SCHEDULE
	\$	
Beaufor Mine	1,446,357	2032 and subsequent
Beacon Mill	5,759,903	2041 and subsequent
Croinor Gold	1,152,275	2039 and subsequent
McKenzie Break	539,188	2039 and subsequent
	8,897,723	

A) FINANCIAL GUARANTEES

The following table shows the breakdown of financial guarantees required for each property as of June 30, 2023 and June 30, 2022:

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Beaufor Mine	931,801	851,043
Beacon Mill	2,437,500	2,437,500
McKenzie Break	282,175	230,312
Croinor Gold (Note 21)	556,399	509,651
	4,207,875	4,028,506

As at June 30, 2023, the Company has entered into an agreement with an insurance company to provide bonds for \$3,651,476 (\$3,518,855 as at June 30, 2022) to the Government of Quebec in accordance with the requirements of the remediation plans approved by the Government of Quebec. The Company has also made cash deposits with the Government of Quebec for an amount of \$556,399 and with the insurance company in connection with the bonds for an amount of \$1,053,186. These deposits total \$1,609,585 as at June 30, 2023 (\$1,551,594 as at June 30, 2022) of which \$556,399 are presented as asset held for sale (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

12. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

B) OBLIGATIONS ALLOCATION AND ROLLFORWARD

The following table presents the breakdown of asset retirement obligations as of June 30, 2023 and June 30, 2022:

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Beaufor Mine	1,072,034	970,248
Beacon Mill	3,130,329	2,779,655
McKenzie Break	306,013	296,552
Croinor Gold (Note 21)	–	633,751
	4,508,376	4,680,206

Asset retirement obligations varied during the year as follows:

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Balance, beginning of year	4,680,206	4,945,134
Assumption changes	332,645	(346,872)
Transfer to liabilities held for sale (Note 21)	(653,967)	–
Accretion expense	149,492	81,944
Balance, end of year	4,508,376	4,680,206

13. SHARE CAPITAL AND WARRANTS

Authorized:

Unlimited number of common shares without par value.

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

	NUMBER OF WARRANTS	NUMBER OF SHARES ISSUED	AMOUNT \$
Balance as at June 30, 2021	15,822,270	78,033,009	52,733,523
Issuance of flow-through shares ⁽¹⁾	–	6,658,823	4,994,118
Issuance of shares and warrants	24,000,000	25,250,000	15,150,000
Settlement of restricted share units into common shares	–	234,252	247,261
Exercise of Replacement Monarch warrants	(45,000)	9,000	4,363
Grant of warrants to brokers	1,560,263	–	459,641
Balance as at June 30, 2022	41,337,533	110,185,084	73,588,906
Shares issuance as debt repayment	–	56,232,501	4,217,437
Issuance of shares	–	63,383,576	4,119,932
Issuance of flow-through units ⁽¹⁾	6,880,932	13,761,864	825,712
Settlement of restricted shares units into common shares	–	275,501	409,481
Issuance of brokers warrants	483,333	–	8,941
Warrants expired	(15,777,270)	–	–
Balance as at June 30, 2023	32,924,528	243,838,526	83,170,409

⁽¹⁾ The carrying amount of flow-through shares is presented net of the liability for the flow-through shares premium of \$174,285 that was recorded on the issuance of the flow-through shares in the March 10, 2023 financing.

13. SHARE CAPITAL AND WARRANTS (CONTINUED)

On November 21, 2022, Monarch issued 46,328,780 common shares as payment to suppliers.

On January 18, 2023, the Company closed a non-brokered private placement of 62,683,576 common shares at a price of \$0.065 for total gross proceeds of \$4,074,432. As part of the placement, the Company reached agreements with creditors representing \$1.4 million. According to these agreements, the Company issued 9,001,630 shares to settle debts amounting to \$675,122.

On February 10, 2023, the Company closed a non-brokered private placement of 700,000 common shares at a price of \$0.065 for total gross proceeds of \$45,500. Moreover, the Company also settled trade payables amounting to \$67,657 in consideration of the issuance of 902,091 shares.

On March 10, 2023, the Company closed a non-brokered private placement of 7,333,334 Québec flow-through units at a price of \$0.075 per unit and 6,428,530 Federal flow-through units at a price of \$0.07 per unit. For total gross proceeds of \$999,997. Each unit consists of one common share of the Company and on-half of one warrant. Each whole warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.15 with an expiration on March 10, 2025. Share issuance costs of \$70,000 was paid and 483,333 broker warrants was issued. Each broker warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.10 with an expiration on March 10, 2025. The fair value of the broker warrants of \$8,941, as detailed in paragraph C) was accounted for as a share issuance cost.

A) COMPANY WARRANTS

Each warrant entitles the holder to acquire one common share of the Company.

	YEAR ENDED JUNE 30, 2023		YEAR ENDED JUNE 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	28,159,750	0.96	4,159,750	1.05
Granted	6,880,932	0.15	24,000,000	0.95
Expired	(4,159,750)	1.05		
Outstanding, end of year	30,880,932	0.77	28,159,750	0.96

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2023			
	EXERCISE PRICE		EXPIRATION DATE
6,880,932 (exercisable)	\$0.15		March 2025
24,000,000 (exercisable)	\$0.95		April 2027
30,880,932			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

13. SHARE CAPITAL AND WARRANTS (CONTINUED)

B) MONARCH REPLACEMENT WARRANTS

Each Monarch Replacement Warrant entitles the holder to acquire 0.2 common shares of the Company.

	YEAR ENDED JUNE 30, 2023		YEAR ENDED JUNE 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	10,911,291	0.05	10,956,291	0.05
Expired	(10,911,291)	0.05	(45,000)	0.09
Outstanding, end of year	–	–	10,911,291	0.05

C) WARRANTS GRANTED TO BROKERS

Each warrant entitles the holder to acquire one common share of the Company.

	YEAR ENDED JUNE 30, 2023		YEAR ENDED JUNE 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	2,266,492	0.77	706,229	1.02
Granted	483,333	0.10	1,560,263	0.66
Expired	(706,229)	1.02	–	–
Outstanding, end of year	2,043,596	0.53	2,266,492	0.77

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

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2023			EXERCISE PRICE	EXPIRATION DATE
307,783 (exercisable)			\$0.90	November 2023
1,252,480 (exercisable)			\$0.60	April 2024
483,333 (exercisable)			\$0.10	March 2025
2,043,596				

13. SHARE CAPITAL AND WARRANTS (CONTINUED)

C) WARRANTS GRANTED TO BROKERS (CONTINUED)

The fair value of warrants granted is determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
Risk-free interest rate	3.97%	2.19%
Expected dividend yield	– %	– %
Expected volatility	80%	80%
Expected life of the warrants	2 years	2 years
Weighted average price per share	\$0.06	\$0.63
Weighted average exercise price of warrants granted to brokers	\$0.10	\$0.66
Weighted average fair value of warrants granted to brokers	\$0.02	\$0.29

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the options from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the warrants granted to brokers. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model. The fair value of the warrants granted to brokers amounting to \$8,941 (\$459,641 in 2022) was accounted for as a share issue cost.

D) INDENTURE WARRANTS

Each Indenture warrant entitles the holder to acquire 0.2 common shares of the Company for a net exercise price of \$0.097 per warrant.

	YEAR ENDED JUNE 30, 2023		YEAR ENDED JUNE 30, 2022	
	Number of warrants	Weighted average net exercise price	Number of warrants	Weighted average net exercise price
		\$		\$
Outstanding, beginning of year	10,042,000	0.097	10,042,000	0.097
Expired	(10,042,000)	0.097	(10,042,000)	0.097
Outstanding, end of year	–	–	10,042,000	0.097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

13. SHARE CAPITAL AND WARRANTS (CONTINUED)

E) RESTRICTED SHARE UNITS

Changes in RSUs granted under the Monarch Mining Corporation Restricted Share Unit Plan were as follows:

	YEAR ENDED JUNE 30, 2023		YEAR ENDED JUNE 30, 2022	
	Number of RSUs	Weighted average Intrinsic value	Number of RSUs	Weighted average Intrinsic value
Outstanding, beginning of year	1,874,996	\$ 0.77	1,405,500	\$ 0.85
Granted	4,858,210	0.08	938,000	0.68
Settled	(551,000)	0.77	(468,504)	0.85
Forfeited	(942,372)	0.50	—	—
Outstanding, end of year	5,239,834	0.18	1,874,996	0.77

For the years ended June 30, 2023 and 2022, share-based compensation related to RSUs amounted to \$341,076 and \$754,825, respectively, and is classified as share-based compensation in the consolidated statement of net loss and comprehensive loss.

14. SHARE PURCHASE OPTIONS

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

	YEAR ENDED JUNE 30, 2023		YEAR ENDED JUNE 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	4,711,250	\$ 0.84	2,264,000	\$ 1.00
Granted	2,493,708	0.12	2,466,000	0.69
Forfeited	(1,678,500)	0.72	(18,750)	1.00
Outstanding, end of year	5,526,458	0.55	4,711,250	0.84
Exercisable, end of year	1,335,500	0.90	566,000	1.00

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

NUMBER OF OPTIONS OUTSTANDING AS AT JUNE 30, 2023		EXERCISE PRICE	EXPIRATION DATE
OUTSTANDING	EXERCISABLE	\$	
1,540,250	850,750	1.00	March 2026
12,500	12,500	1.00	May 2026
165,000	82,500	1.00	June 2026
28,500	—	1.00	October 2026
1,559,000	389,750	0.67	February 2027
145,000	—	0.40	July 2027
2,076,208	—	0.08	January 2028
5,526,458	1,335,500		



14. SHARE PURCHASE OPTIONS (CONTINUED)

For the year ended June 30, 2023, the application of the fair value model resulted in an expense of \$359,823 (\$712,516 in 2022) recorded in share-based compensation in the consolidated statement of net loss and comprehensive loss.

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

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
Risk-free interest rate	2.91%	2.38%
Expected dividend yield	– %	– %
Expected volatility	80%	80%
Expected life of the options	5 years	5 years
Weighted average price per share	\$0.12	\$0.61
Weighted average exercise price of options granted	\$0.12	\$0.69
Weighted average fair value of options granted	\$0.07	\$0.43

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the options from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the warrants granted to brokers. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

15. COMMITMENTS AND CONTINGENCIES

The Company had the following commitments as at June 30, 2023:

Royalties

Properties	NSR Royalties
Beaufor.....	➤ 4.0%
	➤ Other
Croinor Gold	➤ 1.5%
	➤ 2.75%
McKenzie Break.....	➤ 1.5% (0.5% redeemable for \$750,000)
	➤ 2.75%
Swanson	➤ 1.5% (0.5% redeemable for \$750,000)
	➤ 2.0% (1% redeemable for US\$1 million)
	➤ 2.75%
Beacon.....	➤ \$2.50 per tonne milled from the Beaufor property
	➤ \$1.25 per tonne milled

Flow through shares

The Company has committed to disburse, prior to certain dates, amounts of qualified exploration and evaluation expenses in accordance with the *Income Tax Act* (Canada) and the *Quebec Taxation Act*, and to transfer such tax deductions to the subscribers of the completed flow-through share investments of each of the financings. The Company completed a flow-through investments on November 22, 2021 amounting to \$5,992,941 of which the deadline to incur the expenses was December 31, 2022.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Flow through shares (continued)

The Company closed a flow-through financing on March 10, 2023 and \$280,809 still remaining to incur until December 31, 2024.

However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to taking all the necessary measures for this purpose. Refusals of certain expenses by tax authorities or default by the Company to incurred required exploration expenses could have negative tax consequences for investors or the Company. In such an event, the Company would indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

A provision of \$1.2 million was recorded as at June 30, 2023 in relation to this program.

Legal hypothecs

During the year ended June 30, 2023, legal hypothecs have been registered by contractors against the Beacon Mill and Beaufor Mine in the amount of \$7.0 million, representing the contractors' claim for payment related to construction work performed on the mill and mine already accounted for as trade payables.

16. OTHER INFORMATION ON THE CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

A) COST OF SALES

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Mining, milling and development	17,207,391	—
Royalties	375,188	—
Amortization	808,193	—
	18,390,772	—

B) ADMINISTRATION EXPENSES

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Salaries, directors' fees and related benefits	1,296,616	3,501,088
Share-based compensation	700,899	1,467,341
Consultants and professional fees	521,246	1,809,464
Office expenses, rent, maintenance and other	355,739	711,730
Insurance, taxes and permits	1,304,701	903,987
Investor relations and representation expenses	30,166	436,040
Amortization	177,146	73,260
	4,386,513	8,902,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. OTHER INFORMATION ON THE CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (CONTINUED)

C) FINANCE EXPENSE

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Interest on term loans	1,305,046	—
Interest on lease liabilities	50,271	18,391
Interest on bonds related to financial guarantees	91,286	86,827
Accretion expense	149,492	104,153
Interest on royalty buy-back option	—	273,111
Other	25,534	35,783
	1,621,629	518,265

D) OTHER

During the year ended June 30, 2023, the Company reach agreements with suppliers to settle the trade payables with a discount. These agreements generated a gain on debt settlement of \$196,055.

17. OTHER CASH FLOW INFORMATION

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Changes in non-cash working capital items:		
Commodity taxes and other receivables	2,197,675	2,883,876
Inventories	1,453,660	(1,235,223)
Prepaid expenses and deposits	271,797	(78,323)
Trade payables and accrued liabilities	2,909,991	6,855,062
	6,833,123	8,425,392
	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Items not affecting cash flow:		
Change in trade payables and accrued liabilities related to property, plant and equipment	357,174	2,648,345
Change in trade payables and accrued liabilities related to exploration and evaluation assets	1,234,212	(230,116)
Change in lease liabilities related to property, plant and equipment	—	1,330,844
Issuance of shares as debt repayment	4,217,437	—
Asset retirement obligations changes in assumptions in property, plant and equipment	332,645	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

18. COMPENSATION

A) TOTAL COMPENSATION

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Salaries, directors' fees and other benefits	6,122,494	11,484,244
Share-based compensation	700,899	1,467,341
Defined contribution plan	166,927	257,303
Government plans	803,905	1,476,280
	7,794,225	14,685,168

As at June 30, 2023, trade payables and accrued liabilities included an amount of \$414,389 payable for salaries, directors' fees and other benefits (\$3,485,894 in 2022).

An amount of nil (\$6,618,028 in 2022) of salaries for the year ended June 30, 2023 is capitalized in mining assets under construction.

B) KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key management personnel compensation includes the following expenses:

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Salaries, directors' fees and other benefits	1,387,835	1,825,235
Share-based compensation	865,807	1,028,831
Defined contribution plan	28,090	45,762
Government plans	70,647	108,651
	2,352,379	3,008,479

19. NET LOSS PER SHARE

RSUs, warrants and share purchase options were excluded from the calculation of the diluted weighted average number of common shares outstanding for the years ended June 30, 2023 and 2022 because the Company is in a loss position. Therefore, their effect would have been anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

20. DEFERRED INCOME TAXES AND MINING TAXES

Income tax expense differs from the amounts computed by applying the combined provincial income tax rate of 26.5% to loss before income taxes due to the following items:

	YEAR ENDED JUNE 30, 2023	YEAR ENDED JUNE 30, 2022
	\$	\$
Loss before income taxes	(50,821,815)	(22,093,739)
Expected tax recovery	(13,467,781)	(5,854,841)
Increase in income taxes resulting from:		
Non-deductible share-based payments	185,738	188,817
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	976,026	1,324,706
Non-deductible expenses and other	1,940,398	11,505
Deduction of mining tax recovery	(1,776,839)	(52,991)
Permanent difference arising from other income related to flow-through shares	(252,994)	(486,803)
Deferred mining tax expense	470,862	14,043
Non-taxable capital gain	(19,959)	
Change in unrecognized deferred income tax assets	10,167,709	3,895,331
Other	25,718	–
Current income taxes and recovery of deferred mining taxes	(1,751,121)	(960,233)

Changes in temporary differences during the years ended June 30, 2023 and 2022 are detailed as follows

	BALANCE AS AT JUNE 30, 2022	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN SHAREHOLDERS' EQUITY	BALANCE AS AT JUNE 30, 2023
	\$	\$	\$	\$
Deferred income tax assets				
Property, plant and equipment	4,073,786	(208,133)	–	3,865,653
Operating losses	768,518	(768,518)	–	–
Asset retirement obligations	1,129,973	127,766	–	1,257,739
Deferred mining taxes	470,861	(470,861)	–	–
Share issuance expenses	125,364	292,115	–	417,479
Royalties	1,421,000	(315,000)	–	1,106,000
	7,989,502	(1,342,631)	–	6,646,871
Deferred income tax liabilities				
Deferred mining taxes	(1,776,839)	1,776,839	–	–
Mining properties	(2,237,920)	–	–	(2,237,920)
Exploration and evaluation assets	(5,751,582)	1,342,631	–	(4,408,951)
	(9,766,341)	3,119,470	–	(6,646,871)
	(1,776,839)	1,776,839	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

20. DEFERRED INCOME AND MINING TAXES (CONTINUED)

	BALANCE AS AT JUNE 30, 2021	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN SHAREHOLDERS' EQUITY	BALANCE AS AT JUNE 30, 2022
	\$	\$	\$	\$
Deferred income tax assets				
Property, plant and equipment	(1,122,768)	5,196,554	—	4,073,786
Operating losses	3,994,190	(3,225,672)	—	768,518
Asset retirement obligations	1,200,179	(70,206)	—	1,129,973
Deferred mining taxes	484,904	(14,043)	—	470,861
Share issuance expenses	258,249	(132,885)	—	125,364
Royalties	—	1,421,000	—	1,421,000
	4,814,754	3,174,748	—	7,989,502
Deferred income tax liabilities				
Deferred mining taxes	(1,829,830)	52,991	—	(1,776,839)
Mining properties	(1,742,880)	(495,040)	—	(2,237,920)
Exploration and evaluation assets	(3,972,116)	(1,779,466)	—	(5,751,582)
Debt and others	(7,000)	7,000	—	—
	(7,551,826)	(2,214,515)	—	(9,766,341)
	(2,737,072)	960,233	—	(1,776,839)

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

	JUNE 30, 2023	JUNE 30, 2022
	\$	\$
Operating losses	9,449,810	3,921,003
Share issuance expenses	—	342,100
Property, plant and equipment	4,980,999	—
Deferred mining taxes	808,876	2,943,869
Balance, end of year	15,239,685	7,206,972

As of June 30, 2023, the Company has accumulated the following non-capital losses, which may reduce taxable income in future years:

YEAR OF LOSS	FEDERAL	PROVINCIAL	EXPIRATION DATE
	\$	\$	
2018	853,341	853,341	2038
2019	1,306,887	1,306,887	2039
2020	1,214,925	1,214,925	2040
2021	980,208	980,208	2041
2022	16,005,706	16,674,587	2042
2023	18,337,328	18,337,328	2043
	38,698,395	39,367,276	

21. IMPAIRMENT OF NON-FINANCIAL ASSETS*Mining Assets and exploration and evaluation assets*

On July 28, 2023, the Company sold the Croinor Gold property to Probe Gold Inc. for \$2,000,000 in cash and 1,522,533 shares of Probe Gold Inc. having a fair value of \$2,500,000. As part of the transaction, Probe Gold Inc. assumed the asset retirement obligation of \$653,967 related to the Croinor property and the Company recovered the cash deposits of \$556,399 made to the Government of Quebec.

Since the fair value less cost to sell of the Croinor Gold property is less than its carrying value of \$14,058,087 at June 30, 2023, the Company recorded an impairment of \$8,958,087. As a result, the Croinor Gold property is recorded at its recoverable amount of \$5,100,000 at June 30, 2023.

Property, plant and equipment – 2023 Impairment

In connection with the suspension of its operations at the Beaufor Mine and the Beacon Mill (Note 2), the Company identified possible indicators of impairment. The Company performed an impairment test which resulted in an impairment charge of \$22,000,000. The estimated recoverable amount was based on fair value less costs of disposal ("FVLCD"). The fair value measurement was categorized as a Level 3 fair value and was determined based on offers received by the Company.

Offers received by the Company are subjected to customary due diligences and final negotiations.

Property, plant and equipment – 2022 Impairment

As at June 30, 2022, due to the delays in restarting the mining operations, the higher-than-expected restart costs and the higher mining dilution on tonnes already extracted, the Company concluded that an impairment test had to be performed at June 30, 2022 on the Beaufor mining property and its related buildings and equipment and the Beacon processing plant and its related equipment ("Beaufor / Beacon CGU"). As at June 30, 2022, the carrying amount of the Beaufor / Beacon CGU exceeded its estimated recoverable amount, resulting in an impairment charge of \$13 million.

The recoverable amount of the Beaufor / Beacon CGU as of June 30, 2022 was determined based on its value in use. The value in use was calculated based on expected future cash flows using the most recent information available and estimates, including estimates of gold production, operating and capital costs required for gold production, forecasted gold prices and foreign exchange rates, and a discount rate.

The expected cash flows were determined using an estimated inflation rate of 2.5% and an discount rate of 20%, which represents the estimated weighted average market cost of capital.

Sensitivity

The value in use may be affected by one or more variations in the assumptions used. Changes in estimates of gold production, operating and capital costs required for gold production, forecasted gold prices and foreign exchange rates, and the discount rate have the greatest impact on the valuation of the Beaufor / Beacon CGU. Thus, individually a +/- 2% change in gold production would result in a change of approximately +/- \$5.1 million in the recoverable amount, a 5% change operating and capital costs would result in a change of approximately +/- \$9.4 million in the recoverable amount, a +/- \$50 change in forecasted gold prices per ounce would result in a change of approximately +/- \$6.3 million in the recoverable amount, a +/- 2.5% change in the forecasted foreign exchange rate would result in a change of approximately +/- \$4.8 million in the recoverable amount, and a +/- 50 basis point change in the discount rate would result in a change of approximately +/- \$0.7 million in the recoverable amount.

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 and trade payables and accrued liabilities and term loan, approximate their fair value due to its nature or short-term maturity. Accordingly, no details regarding their fair value are presented below.

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

AS AT JUNE 30, 2023	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial liabilities measured at amortized cost					
Term loan	12,500,000	12,500,000	–	12,500,000	–
Financial liabilities on tonnes milled at the Beacon Mill (Note 11)	4,173,477	4,173,477	–	–	4,173,477

AS AT JUNE 30, 2022	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial liabilities measured at amortized cost					
Term loans (excluding financing costs)	18,500,000	18,500,000	–	18,500,000	–
Financial liabilities on tonnes milled at the Beacon Mill	5,362,754	5,362,754	–	–	5,362,754

The fair value of these financial liabilities is calculated on the basis of the present value of cash outflows in principal and interest which are discounted at market rates at the reporting date taking into account the Company's credit risk.

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**Risk exposure and management**

The Company is exposed to several risks at different levels. The type of risk and how the exposure is managed are described below:

A) MARKET RISK

Market risk is the risk of changes in prices, such as interest rates, foreign exchange rates, gold price and equity prices on shares owned that affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

Interest rate risk

Interest rate risk is 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, deposits in trust and long-term debt bear interest at a fixed rate. With respect to trust deposits, the Company is exposed to a limited change in fair value due to the nature of the asset.

The Company's exposure to cash flow interest rate risk on its long-term financial liabilities is limited because they bear interest at fixed rates.

Gold commodity price risk

The Company's revenues are directly related to commodity prices as revenues are derived from the sale of gold. For its gold production, The Company does not have financial instruments to hedge exposures to gold price fluctuations.

B) CREDIT RISK

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from cash and cash equivalents, restricted cash and deposits in trust and the carrying amount of these financial assets represents the Company's maximum exposure to credit risk at the date of the condensed consolidated financial statements. The credit risk on cash and cash equivalents, restricted cash and deposits in trust is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and the Government of Canada.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet the financial obligations associated with its financial liabilities as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk through a rigorous annual budgeting process that is supplemented by cash flow forecasts on an ongoing basis throughout the year. The Company continuously monitors actual and projected cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

C) LIQUIDITY RISK (CONTINUED)

The following table presents the Company's financial liabilities by contractual maturity, including interest payable, as at June 30, 2023 and 2022:

June 30, 2023	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	12,346,350	12,346,350	12,346,350	—	—
Term loan (excluding financing costs)	12,500,000	12,500,000	12,500,000	—	—
Financial liabilities on tonnes milled at the Beacon Mill	4,173,477	7,702,100	—	—	7,702,100
	29,019,827	32,548,450	24,846,350	—	7,702,100

June 30, 2022	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	12,972,813	12,972,813	12,972,813	—	—
Term loans (excluding financing costs)	18,500,000	20,273,504	7,825,986	2,214,530	10,232,988
Financial liabilities on tonnes milled at the Beacon Mill	5,362,754	8,052,726	1,011,199	1,064,292	5,977,235
	36,835,567	41,299,043	21,809,998	3,278,822	16,210,223

23. SUBSEQUENT EVENTS**Sale of mining property**

On July 28, 2023, the Company sold the Croinor Gold property for an amount of \$2.0 million in cash and 1,522,533 shares of Probe Gold Inc. representing a value of \$2.5 million.

Credit facility

In July 2023, the Company reached an agreement with its bank to amend the credit facility. The credit facility was reduced to \$0.8 million and the bank released \$0.7 million of the \$1.0 million of guaranteed investment certificate as security.

Royalties buy-back

In July 2023, the Company entered into a royalty buyback option agreement with Gold Royalty Corp. regarding the McKenzie Break, Swanson and Croinor Gold properties.

The Company has the right, exercisable for a period of 24 months, to repurchase up to a 1% NSR in cash or in voting shares of the Company at the sole election of Gold Royalty Corp. for each of the McKenzie Break royalty, Swanson royalty and Croinor Gold royalty for the consideration as follows:

For a period of 12 months following the agreement:

- \$2.0 million in cash for each property for which the buyback right is exercised; or
- \$2.5 million in voting shares of the Company.

For a period starting on the first day following the end of the first 12 months of the agreement and ending on the 24th month following the agreement:

- \$2.5 million in cash for each property for which the buyback right is exercised; or
- \$3.0 million in shares of the Company.