



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE-MONTH PERIOD ENDED

SEPTEMBER 30, 2023

(UNAUDITED)



Three-month period ended September 30, 2023

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

SEPTEMBER 30 AND JUNE 30, 2023

	NOTES	SEPTEMBER 30, 2023	JUNE 30, 2023
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		593,650	231,892
Restricted cash		600,000	1,000,000
Commodity taxes and other receivables		36,225	75,296
Inventories		543,850	785,763
Asset held for sale		—	5,656,399
Prepaid expenses		202,973	283,595
		1,976,698	8,032,945
NON-CURRENT ASSETS			
Deposits		158,300	158,300
In trust deposits		1,053,186	1,053,186
Property, plant and equipment	5	16,164,492	16,448,903
Mining properties	6	5,682,373	5,682,373
Exploration and evaluation assets	7	14,332,597	14,303,645
		37,390,948	37,646,407
		39,367,646	45,679,352
LIABILITIES			
CURRENT LIABILITIES			
Trade payables, accrued liabilities and provision		13,702,003	13,502,635
Current portion of long-term debt	8	9,424,600	12,924,525
Liabilities held for sale		—	653,967
Current portion of other liabilities	9	43,895	48,941
		23,170,498	27,130,068
NON-CURRENT LIABILITIES			
Long-term debt	8	253,853	359,057
Other liabilities	9	4,268,917	4,173,477
Asset retirement obligations		4,545,727	4,508,376
		9,068,497	9,040,910
		32,238,995	36,170,978
SHAREHOLDER'S EQUITY			
Share capital and warrants	10	83,170,409	83,170,409
Contributed surplus		1,949,228	1,748,270
Deficit		(77,990,986)	(75,410,305)
		7,128,651	9,508,374
		39,367,646	45,679,352

Reporting entity and nature of operations (Note 1); Going concern (Note 2); Commitments (Note 12); Subsequent events (Note 18).

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

On behalf of the Board:

'Jean-Marc Lacoste', Director



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

	NOTES	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
		\$	\$
Revenues		–	2,005,605
Cost of sales	13	–	(16,672,139)
Loss from mine operations		–	(14,666,534)
Administration expenses	13	(1,345,552)	(928,785)
Care and maintenance expenses		(796,793)	–
Exploration expenses		–	(141,313)
Operating loss		(2,142,345)	(15,736,632)
Finance income		8,123	28,381
Finance expense	13	(396,105)	(389,471)
Revaluation of financial liabilities related to tonnes milled at Beacon Mill		–	480,084
Change in fair value of investments		–	(179,218)
Gain on disposal of assets		15,967	–
Depreciation	5	(90,000)	–
Impairment of property, plant and equipment		–	(7,000,000)
Other income		18,633	8,281
Other income related to flow-through shares		5,046	493,304
Loss before taxes		(2,580,681)	(22,295,271)
Deferred income taxes and mining taxes		–	(20,322)
Net loss and comprehensive loss		(2,580,681)	(22,315,593)
Basic and diluted net loss per share	16	(0.01)	(0.20)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2023	83,170,409	1,748,270	(75,410,305)	9,508,374
OPTIONS AND RESTRICTED SHARE UNITS				
Granted to employees, officers, directors, consultants or I.R. representatives (Notes 10 and 11)	–	200,958	–	200,958
	83,170,409	1,949,228	(75,410,305)	9,709,332
NET LOSS FOR THE PERIOD	–	–	(2,580,681)	(2,580,681)
BALANCE AS AT SEPTEMBER 30, 2023	83,170,409	1,949,228	(77,990,986)	7,128,651

	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
OPTIONS AND RESTRICTED SHARE UNITS				
Granted to employees, officers, directors, consultants or I.R. representatives	–	364,744	–	364,744
	73,588,906	1,837,265	(26,189,018)	49,237,153
NET LOSS FOR THE PERIOD	–	–	(22,315,593)	(22,315,593)
BALANCE AS AT SEPTEMBER 30, 2022	73,588,906	1,837,265	(48,504,611)	26,921,560

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

	NOTES	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
		\$	\$
Operating activities			
Net loss for the period		(2,580,681)	(22,315,593)
Adjustments for:			
Amortization	5	106,411	510,318
Stock-based compensation		200,958	364,744
Amortization of financing costs		–	32,060
Interest on lease liabilities	8	9,689	14,283
Accretion expense on asset retirement obligations		37,351	39,088
Revaluation of financial liabilities on tonnes milled at the Beacon Mill		–	(480,084)
Accretion expense of financial liabilities on tonnes milled at the Beacon Mill		95,440	–
Change in fair value of investments		–	179,218
Gain on disposal of assets	5	(15,967)	–
Depreciation of property, plant and equipment	5	90,000	–
Impairment of property, plant and equipment		–	7,000,000
Other income related to flow-through shares		(5,046)	(493,304)
Change in non-cash operating working capital	14	560,974	7,436,902
		(1,500,871)	(7,712,368)
Financing activities			
Restricted cash	6, 8	1,400,000	–
Repayment of lease liabilities	8	(114,818)	(114,818)
		1,285,182	(114,818)
Investing activities			
Proceeds of disposition of investments		–	221,931
Proceed from disposition of property, plant and equipment	5	50,000	–
Proceed from disposition of mineral properties	6	556,399	–
Increase in exploration and evaluation assets	7	(28,952)	(267,317)
		577,447	(45,386)
Change in cash and cash equivalents		361,758	(7,872,572)
Cash and cash equivalents, beginning of period		231,892	10,339,558
Cash and cash equivalents, end of period		593,650	2,466,986

Other cash flow information (Note 14)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

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 operation, exploration and development of its mining properties. As at September 30, 2023, the Company has a deficit of \$77,990,986 and cash and cash equivalents of \$593,650, of which \$251,857 remains to be committed to be disbursed related to flow-through share arrangements (Note 12). As at September 30, 2023, the Company has negative working capital (current liabilities in excess of current assets) of \$21,193,800.

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, 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 (Note 6).

On November 3, 2023, Investissement Québec ("IQ"), one of its creditors, has served the Company a prior notice of exercise of a hypothecary right, in accordance with the loans it has granted Monarch, which are secured by a hypothec encumbering all the present and future, tangible and intangible assets, movable and immovable of the Company.

On November 15, 2023, IQ has filed an application with the Superior Court of Quebec ("Court") under the Companies' Creditors Arrangement Act ("CCAA") to place the Corporation under the protection of the CCAA. The Court has issued an initial order on November 15, 2023 under the CCAA in relation to the Corporation. PricewaterhouseCoopers Inc. has been appointed as the monitor ("Monitor") to oversee the activities of the Corporation during the CCAA process.

Due to the CCAA process, it is anticipated that the Toronto Stock Exchange (the "Exchange") will conduct a review to determine if the Corporation meets the Exchange's listing requirements.

Mmes. Laurie Gaborit, Guylaine Daigle, and Messrs. Michel Bouchard and Benoit Desormeaux have resigned from their positions as directors with immediate effect as of November 15, 2023. Mr. Jean-Marc Lacoste will continue to serve as a director and collaborate with IQ and the Monitor in the implementation of the Court approved process to solicit investment and sale proposals in respect of the Corporation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

2. GOING CONCERN (CONTINUED)

The decision to commence CCAA proceedings was made after careful consideration of the Company's cash position, scheduled debt payments and all available alternatives to an application for creditors protection. The CCAA proceedings are intended to facilitate a restructuring of the Company's balance sheet, the injection of additional capital, a sale of the Company or its assets, or any combination thereof.

There can be no assurance that under the current CCAA proceedings, the Company will be successful in facilitating a restructuring, obtaining additional capital, or achieving a sale of the Company or its assets, or any combination thereof. 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 condensed consolidated interim 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and consistent with the accounting policies used by the Company in its most recent audited annual financial statements. These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Certain information normally included in audited annual consolidated financial statements prepared in accordance with IFRS, in particular the notes thereto, has been omitted or condensed. Accordingly, these unaudited condensed interim consolidated financial statements do not include all disclosures required for complete consolidated financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements, including notes, for the year ended June 30, 2023. The Board of Directors approved the unaudited condensed consolidated interim financial statements on November 15, 2023.

The unaudited condensed consolidated interim financial statements for the three-month period ended September 30, 2023 have not been subject to a review engagement by the Company's independent auditor in accordance with the standards established by the Chartered Professional Accountants of Canada for a review engagement of interim financial statements by the Company's auditor.

3. BASIS OF PREPARATION (CONTINUED)**B) BASIS OF MEASUREMENT**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for:

- 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

The unaudited condensed consolidated interim 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 Québec, Canada.

E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the unaudited condensed consolidated interim 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.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments that management has made in the process of applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those reported in the audited consolidated financial statements for the year ended June 30, 2023.

4. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies as the audited consolidated financial statements for the year ended June 30, 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

5. PROPERTY, PLANT AND EQUIPMENT

	EQUIPMENT AND LEASEHOLD IMPROVEMENTS ^(A)	MINING ASSETS UNDER CONSTRUCTION	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT ^(A)	TOTAL
	\$	\$	\$	\$	\$
COST					
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
Capitalized interest Reclassification					
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
Dispositions	(38,000)	–	–	(50,000)	(88,000)
Balance as at September 30, 2023	497,806	45,829,887	833,902	7,540,339	54,701,934
ACCUMULATED AMORTIZATION					
Balance as at June 30, 2022	212,132	13,000,000	317,803	1,859,176	15,389,111
Reclassification					
Dispositions	–	–	–	(33,419)	(33,419)
Impairment	–	22,000,000	–	–	22,000,000
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
Amortization	7,035	–	–	99,376	106,411
Depreciation	90,000	–	–	–	90,000
Balance as at September 30, 2023	486,313	35,130,891	321,168	2,599,070	38,357,442
NET CARRYING AMOUNT					
Balance as at June 30, 2023	146,528	10,698,996	512,734	5,090,645	16,448,903
Balance as at September 30, 2023	11,493	10,698,996	512,734	4,941,269	16,164,492

^(A) Included in buildings and equipment at September 30, 2023 is \$540,039 (\$639,415 as at June 30, 2023) of right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of non-financial assets

As at June 30, 2023, 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.

As at September 30, 2023, no additional indicators or impairment occurred with the information available and the Company concluded there was no impairment.

The decision to commence CCAA proceedings on November 15, 2023 may trigger new indicators of impairment. The Company will assess this new event in the next quarter.

6. MINING PROPERTIES

PROPERTIES ⁽¹⁾ ⁽²⁾	JUNE 30, 2023	ADDITIONS	DISPOSAL	SEPTEMBER 30, 2023
	\$	\$	\$	\$
McKenzie Break	3,877,972	—	—	3,877,972
Swanson and others	1,804,401	—	—	1,804,401
	5,682,373	—	—	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.

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 Gold property and the Company recovered the cash deposits of \$556,399 made to the Government of Quebec.

From the \$2,000,000 in cash received from the transaction, \$1M were used as payment to IQ and \$1M were placed in restricted cash to assume the care and maintenance expenses. \$700,000 has been used as at September 30, 2023.

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are as follows:

	JUNE 30, 2023	EXPLORATION AND EVALUATION EXPENSES	SEPTEMBER 30, 2023
	\$	\$	\$
McKenzie Break	11,645,495	28,952	11,674,447
Swanson and others	2,658,150	—	2,658,150
	14,303,645	28,952	14,332,597

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Exploration and evaluation expenses by nature are as follows:

	SEPTEMBER 30, 2023
	\$
Exploration and evaluation expenses:	
Salaries, supervision and consultants	28,952
Geology and geophysics	—
Test, sampling and prospecting	—
Drilling, equipment rental and other material	—
Increase in exploration and evaluation expenses	28,952
Balance, as at June 30, 2023	14,303,645
Balance, as at September 30, 2023	14,332,597

8. LONG-TERM DEBT

	TERM LOANS	LEASE LIABILITIES	TOTAL
	\$	\$	\$
Balance as at June 30, 2023	12,500,000	783,582	13,283,582
Accrued interest for the period	—	9,689	9,689
Repayment	(3,500,000)	(114,818)	(3,614,818)
Balance as of September 30, 2023	9,000,000	678,453	9,678,453
Current portion	9,000,000	424,600	9,424,600
Non-current portion	—	253,853	253,853

Term loans

Following the sale of the Croinor Gold property on July 28, 2023 (Note 6), \$1,000,000 in cash and 1,522,533 shares of Probe Gold Inc. having a fair value of \$2,500,000 were used to make a payment to the term loans.

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.

9. OTHER LIABILITIES

	SEPTEMBER 30, 2023	JUNE 30, 2023
	\$	\$
Flow-through share liabilities	43,895	48,941
Financial liability on tons milled at the Beacon mill	4,268,917	4,173,477
Balance, end of period	4,312,812	4,222,418
Current portion	43,895	48,941
Non-current portion	4,268,917	4,173,477

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

10. 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, 2023 and September 30, 2023	32,924,528	243,838,526	83,170,409

A) COMPANY WARRANTS

Each warrant entitles the holder to acquire one common share of the Company. The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT SEPTEMBER 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		

B) WARRANTS GRANTED TO BROKERS

Each warrant entitles the holder to acquire one common share of the Company. The following table summarizes the information relating to the warrants granted to brokers:

NUMBER OF WARRANTS OUTSTANDING AS AT SEPTEMBER 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		

C) RESTRICTED SHARE UNITS

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	
	Number of RSUs	Weighted average Intrinsic value at grant date \$
Outstanding as at June 30, 2023 and September 30, 2023	5,239,834	0.18

For the three-month ended September 30, 2023, share-based compensation related to RSUs amounted to \$110,482 (\$169,528 in 2022) and is classified as share-based compensation in the condensed consolidated interim statements of net loss and comprehensive loss.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

11. SHARE PURCHASE OPTIONS

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	
	Number of options	Weighted average exercise price
		\$
Outstanding as at June 30, 2023	5,526,458	0.55
Forfeited	(107,500)	1.00
Outstanding as at September 30, 2023	5,418,958	0.54
Exercisable as at September 30, 2023	1,265,875	0.88

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

NUMBER OF OPTIONS OUTSTANDING AS AT SEPTEMBER 30, 2023		EXERCISE PRICE	EXPIRATION DATE
OUTSTANDING	EXERCISABLE	\$	
1,432,750	716,375	1.00	March 2026
12,500	12,500	1.00	May 2026
165,000	82,500	1.00	June 2026
28,500	28,500	1.00	October 2026
1,559,000	389,750	0.67	February 2027
145,000	36,250	0.40	July 2027
2,076,208	—	0.08	January 2028
5,418,958	1,265,875		

For the three-month period ended September 30, 2023, the application of the fair value model resulted in a charge of \$90,476 (\$195,216 in 2022) recorded in stock-based compensation in the condensed consolidated interim statements of net loss and comprehensive loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

12. COMMITMENTS

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

Royalties

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

- (1) The Company has the right, exercisable for a period of 24 months, beginning July 21, 2023, 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 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.

Flow through shares

The Company closed a flow-through financing on March 10, 2023 and \$251,857 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.

Legal hypothecs

As at September 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

13. OTHER INFORMATION ON THE CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

A) COST OF SALES

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Mining, milling and development	–	15,984,803
Royalties	–	222,923
Amortization	–	464,413
	–	16,672,139

B) ADMINISTRATION EXPENSES

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Salaries, directors' fees and related benefits	399,764	18,394
Share-based compensation	200,958	364,744
Consultants and professional fees	353,565	108,573
Office expenses, rent, maintenance and other	38,852	148,001
Insurance, taxes and permits	335,120	213,314
Investor relations and representation expenses	10,258	29,854
Amortization	7,035	45,905
	1,345,552	928,785

C) FINANCE EXPENSE

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Interest on term loans	322,932	310,443
Interest on lease liabilities	9,689	14,283
Accretion expense	37,351	39,088
Other	26,133	25,657
	396,105	389,471

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

14. OTHER CASH-FLOW INFORMATION

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Changes in non-cash working capital items:		
Commodity taxes and other receivables	39,071	431,133
Inventories	241,913	126,380
Prepaid expenses	80,622	255,205
Trade payables and accrued liabilities	199,368	6,624,184
	560,974	7,436,902
	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Items not affecting cash flow:		
Payment of term loans with restricted cash	(1,000,000)	—
Payment of term loans with shares of Probe Gold inc.	(1,500,000)	—
Change in trade and other payables related to property, plant and equipment	—	(104,958)
Change in Trade payables and accrued liabilities related to exploration and evaluation assets	—	2,694,613

15. COMPENSATION

A) TOTAL COMPENSATION

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Salaries, directors' fees and other benefits	429,664	2,128,931
Share-based compensation	200,958	364,744
Defined contribution plan	4,532	232,881
Government plans	31,427	1,480,563
	666,581	4,207,119

As at September 30, 2023, trade and other payables included an amount of \$501,007 payable for salaries, directors' fees and other benefits.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

15. COMPENSATION (CONTINUED)

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 and VP Corporate Development.

Key management personnel compensation includes the following expenses:

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	\$	\$
Salaries, directors' fees and other benefits	209,005	306,609
Share-based compensation	148,709	271,235
Defined contribution plan	1,470	11,663
Government plans	6,851	10,634
	366,035	600,141

16. 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 three-month period ended September 30, 2023 and 2022, as the Company is at a loss, their effect would have been anti-dilutive.

17. 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 SEPTEMBER 30, 2023	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial liabilities measured at amortized cost					
Term loans (excluding financing costs)	9,000,000	9,000,000	—	9,000,000	—
Financial liabilities on tonnes milled at the Beacon Mill	4,268,917	4,268,917	—	—	4,268,917

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.

17. 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, restricted cash, 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.

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 interim 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(UNAUDITED)****THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022****17. 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 September 30, 2023:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	\$	\$	\$	\$	\$
Trade and other payables	13,702,003	13,702,003	13,702,003	—	—
Term loans (excluding financing costs)	9,000,000	9,000,000	9,000,000	—	—
Financial liabilities on tonnes milled at the Beacon Mill	4,268,917	7,702,100	—	—	7,702,100
	26,970,920	30,404,103	22,702,003	—	7,702,100

18. SUBSEQUENT EVENTS**Term loans**

On November 3, 2023, IQ, has served the Company a prior notice of exercise of a hypothecary right, in accordance with the loans it has granted Monarch, which are secured by a hypothec encumbering all the present and future, tangible and intangible assets, movable and immovable of the Company.

CCAA proceedings

On November 15, 2023, IQ has filed an application with the Court under the CCAA to place the Corporation under the protection of the CCAA. The Court has issued an initial order on November 15, 2023 under the CCAA in relation to the Corporation. PricewaterhouseCoopers Inc. has been appointed as the Monitor to oversee the activities of the Corporation during the CCAA process.

Due to the CCAA process, it is anticipated that the Exchange will conduct a review to determine if the Corporation meets the Exchange's listing requirements.

Mmes. Laurie Gaborit, Guylaine Daigle, and Messrs. Michel Bouchard and Benoit Desormeaux have resigned from their positions as directors with immediate effect as of November 15, 2023. Mr. Jean-Marc Lacoste will continue to serve as a director and collaborate with IQ and the Monitor in the implementation of the Court approved process to solicit investment and sale proposals in respect of the Corporation.