

CONSOLIDATED FINANCIAL STATEMENTS



**YEARS ENDED
JUNE 30, 2019 AND 2018**

MONARCH GOLD CORPORATION

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Years ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Monarch Gold Corporation

Opinion

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

- the consolidated statements of financial position as at June 30, 2019 and June 30, 2018
- the consolidated statements of net earnings (net loss) and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- as well as the notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018 and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that Monarch Gold Corporation has experienced negative operating losses and operating cash flows in recent years. As a result, the Company depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business.

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



Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (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 Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also:

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

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

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

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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Montréal, Canada

September 24, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2019 AND 2018

	NOTES	JUNE 30, 2019	JUNE 30, 2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19	6,381,307	15,046,248
In trust deposits	6	–	545,000
Investments	7	2,326,036	29,167
Commodity taxes and other receivables		782,846	1,007,443
Inventory	8	2,272,430	2,638,168
Prepaid expenses and deposits		1,062,608	899,606
		12,825,227	20,165,632
NON-CURRENT ASSETS			
In trust deposits	15	4,253,706	7,301,962
Property, plant and equipment	9, 27	15,286,272	14,496,654
Mining properties	10	22,623,144	21,774,775
Exploration and evaluation assets	11	17,589,046	9,926,146
		59,752,168	53,499,537
		72,577,395	73,665,169
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		4,226,206	8,492,478
Derivative financial instruments		–	9,182
Current portion of long-term debt	14	744,787	2,046,258
Contract liabilities	12	–	1,297,200
Liability related to flow-through shares	16, 19	571,723	1,392,491
		5,542,716	13,237,609
NON-CURRENT LIABILITIES			
Deferred grant	13	–	179,328
Long-term debt	14	5,762,972	5,763,525
Deferred income taxes and mining taxes	28	5,323,998	3,904,058
Asset retirement obligations	15	10,765,906	9,798,336
		21,852,876	19,645,247
		27,395,592	32,882,856
SHAREHOLDERS' EQUITY			
Share capital and warrants	16	66,892,505	63,237,031
Contributed surplus		1,711,964	1,350,888
Deficit		(23,422,666)	(23,805,606)
		45,181,803	40,782,313
		72,577,395	73,665,169

Reporting entity and nature of operations (Note 1); Going concern (Note 2); Contingencies (Note 18); Commitments (Note 19); Subsequent events (Note 32).

The notes on pages 11 to 55 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 EARNINGS (NET LOSS) AND COMPREHENSIVE INCOME

YEARS ENDED JUNE 30, 2019 AND 2018

	NOTES	2019	2018
		\$	\$
Revenues	20	31,652,869	30,125,421
Cost of sales	21	(27,302,521)	(28,684,634)
Gross margin		4,350,348	1,440,787
Administration	22	(6,271,027)	(5,431,538)
Exploration		(312,114)	(1,098,900)
Operating loss		(2,232,793)	(5,089,651)
Finance income		215,979	115,674
Finance expense	23	(603,064)	(236,287)
Gain (loss) on foreign exchange		(5,136)	28,250
Gain on disposal of non-financial assets	10, 14	1,714,832	–
Other income	24	1,201,276	–
Change in fair value of investments	7	329,475	(20,833)
Change in fair value of derivative financial instruments	30	(160,993)	(127,057)
Other income related to flow-through shares		1,717,668	1,034,825
Earnings (loss) before income taxes		2,177,244	(4,295,079)
Current income taxes		(234,399)	(199,610)
Deferred income and mining taxes	28	(1,456,940)	(282,162)
		(1,691,339)	(481,772)
Net earnings (net loss) and comprehensive income		485,905	(4,776,851)
Basic net earnings (net loss) per share	29	0.001	(0.024)
Diluted net earnings (net loss) per share	29	0.001	(0.024)

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2019 AND 2018

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2018	63,237,031	1,350,888	(23,805,606)	40,782,313
EQUITY FINANCING				
Flow-through shares	2,999,770	–	–	2,999,770
Premium on flow-through shares	(896,900)	–	–	(896,900)
Common shares related to the acquisition of mining properties	627,300	–	–	627,300
Common shares related to the acquisition of an investment in shares	763,750	–	–	763,750
Share issuance costs	–	–	(130,511)	(130,511)
OPTIONS AND WARRANTS GRANTED TO BROKERS				
Warrants granted to brokers (Note 16)	9,454	–	(9,454)	–
Options granted to employees, officers, directors, consultants or I.R. representatives (Note 17)	–	415,176	–	415,176
Exercise of options (Note 17)	152,100	(54,100)	–	98,000
Deferred taxes related to share issue costs for the current year	–	–	37,000	37,000
	66,892,505	1,711,964	(23,908,571)	44,695,898
NET EARNINGS FOR THE YEAR	–	–	485,905	485,905
BALANCE AS AT JUNE 30, 2019	66,892,505	1,711,964	(23,422,666)	45,181,803

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

YEARS ENDED JUNE 30, 2019 AND 2018

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2017	35,068,180	1,215,327	(19,369,428)	16,914,079
EQUITY FINANCING				
Common shares related to a business acquisition (Note 6)	12,121,621	–	–	12,121,621
Common shares related to the acquisition of mining properties and a royalty (Note 10)	840,000	–	–	840,000
Common shares	11,525,251	–	–	11,525,251
Flow-through shares	3,369,012	–	–	3,369,012
Premium on flow-through shares	(1,033,163)	–	–	(1,033,163)
Exercise of warrants	1,083,421	–	–	1,083,421
Share issuance costs	–	–	(457,506)	(457,506)
OPTIONS AND WARRANTS GRANTED TO BROKERS				
Options granted to employees, officers, directors, consultants or IR representatives (Note 17)	–	199,761	–	199,761
Warrants granted to brokers (Note 16)	37,509	–	(37,509)	–
Exercise of options	225,200	(64,200)	–	161,000
Deferred taxes related to share issue costs for the current and prior years	–	–	835,688	835,688
	63,237,031	1,350,888	(19,028,755)	45,559,164
NET LOSS FOR THE YEAR	–	–	(4,776,851)	(4,776,851)
BALANCE AS AT JUNE 30, 2018	63,237,031	1,350,888	(23,805,606)	40,782,313

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	NOTES	2019	2018
		\$	\$
Operating activities			
Net earnings (net loss) for the year		485,905	(4,776,851)
Adjustments for:			
Change in contract liabilities	12	(1,297,200)	(3,741,600)
Amortization	9	1,185,402	1,524,910
Share-based payments		415,176	199,761
Accretion expense on asset retirement obligations	15	197,644	181,685
Adjustments to asset retirement obligations	15, 23	42,188	
Change in fair value of derivative financial instruments		160,993	127,057
Other income related to flow-through shares		(1,717,668)	(1,034,825)
Unrealized (loss) gain on foreign exchange	14	(31,148)	61,080
Other income	24	(1,201,276)	–
Cost of modifying the terms of a purchase price balance	14	191,379	–
Gain on disposal of a mining property	10	(390,000)	–
Gain on disposal of non-financial assets	10	(1,324,832)	–
Change in fair value of investments	7	(329,475)	20,833
Income taxes and deferred mining taxes	28	1,456,940	282,162
Change in non-cash operating working capital	25	(3,608,814)	4,845,375
		(5,764,786)	(2,310,413)
Financing activities			
Contract liabilities	12	–	4,988,800
Proceeds from issuance of shares	16	–	11,525,251
Proceeds from issuance of flow-through shares	16	2,999,770	3,369,012
Exercise of warrants	16	–	1,083,421
Exercise of options	17	98,000	161,000
Share issuance costs		(130,511)	(457,506)
Repayment of purchase price balance	14	(400,000)	–
Repayment of finance leases	14	(406,979)	(292,308)
		2,160,280	20,377,670
Investing activities			
Current in trust deposits	6	545,000	(545,000)
Cash acquired from a business combination	6	–	1,041,106
In trust deposits	15	3,048,256	(5,080,427)
Acquisition of property, plant and equipment	9	(630,929)	(2,937,703)
Acquisition of mining properties	10	(262,819)	(130,101)
Disposal of mining properties	10	600,000	600,000
Disposal of investments	7	61,232	–
Other income	24	326,400	–
Acquisition of derivative financial instruments		(170,175)	(117,875)
Increase in exploration and evaluation assets	11	(8,577,400)	(3,207,164)
		(5,060,435)	(10,377,164)
Net increase (decrease) in cash and cash equivalents		(8,664,941)	7,690,093
Cash and cash equivalents, beginning of year		15,046,248	7,356,155
Cash and cash equivalents, end of year		6,381,307	15,046,248

Other cash flow information (note 25)

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

1. REPORTING ENTITY AND NATURE OF OPERATIONS

Monarch Gold Corporation (the "Company"), incorporated on February 16, 2011, under the *Canada Business Corporations Act*, is engaged in the exploitation and exploration of mining properties. Its shares have been trading on the Toronto TSX under the symbol MQR since November 15, 2018 (formerly on the TSX Venture Exchange). Its activities are in Canada.

The Company has determined that one of its mining properties, Wasamac, contains economically recoverable ore reserves, in accordance with a NI-43-101 feasibility study dated December 1, 2018 and filed on SEDAR on December 3, 2018. As at June 30, 2019, the Company has determined that the Wasamac property is still at the exploration stage, as the Company has not yet obtained the necessary financing to start the construction and development phase of the Wasamac project.

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

The address of the Company's head office is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Quebec, Canada J0R 1R0 and its website is www.monarquesgold.com.

2. GOING CONCERN

The Company is exposed to several risks and uncertainties related to the development of its mining properties. The Company has experienced negative operating losses and operating cash flows in recent years. The Company currently has no committed sources of financing. In the past, the Company has used external financing to finance its activities, mainly through the issuance of common and flow-through shares. The Company's business plan is dependent on raising additional funds to finance its activities over the next twelve months and beyond. As a result, the Corporation will periodically need to raise new funds to further develop its projects and meet its long-term obligations. The Company's ability to continue as a going concern is dependent on the Company's ability to ensure the profitability of its operations, the realization of its assets and the raising of new funds. Despite the Company's ability to raise funds in the past, there can be no assurance that the Company will be able to obtain financing in the future, and there can be no assurance that these sources of financing or initiatives will be available to the Company or on terms acceptable to the Company. If the Company is unable to obtain sufficient additional financing, it may be required to limit its activities and development activities, which could adversely affect its business, financial condition and results of operations.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on a going concern basis. The application of IFRS under the assumption of going concern may be inappropriate because the above condition indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the going concern assumption proves to be unfounded.

3. NEW ACCOUNTING STANDARDS

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. IFRS 15 replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services.

The standard provides a single model for customer contracts and two approaches to revenue recognition: at a given time or over time. The proposed model consists of a five-step, contract-based analysis of transactions to determine whether, how much and when revenue is recognized. New thresholds have been introduced for estimates and judgments, which could impact the amount of revenue recognized and/or the timing of its recognition.

On July 1, 2018, the Company adopted IFRS 15 retrospectively and therefore revised its revenue recognition policy in accordance with the requirements of IFRS 15. Management has concluded that, based on its current operations, the adoption of IFRS 15 does not have a material impact on the Company's consolidated financial statements.

IFRIC 22, Foreign Currency Transactions and Prepayments ("IFRIC 22")

IFRIC 22 concerns transactions in a foreign currency or parts of transactions when there is a counterparty that is denominated or fixed in a foreign currency and when the entity recognises a non-monetary asset or liability in respect of that counterparty before the recognition of the related asset, expense or income. The transaction date, for the purpose of determining the exchange rate, corresponds to the date of initial recognition of the non-monetary asset or liability. If there are multiple advance payments or receipts, then the transaction date must be determined for each of the payments and receipts. As at July 1, 2018, the Company adopted IFRIC 22 retrospectively and concluded that, based on its current operations, it did not have a material impact on the Company's consolidated financial statements.

Classification and measurement of share-based payment transactions (amendments to IFRS 2)

On June 20, 2016, the IASB published amendments to IFRS 2, Share-based Payment, to clarify how certain types of share-based payment transactions should be recognized.

The amendments provide accounting requirements:

- The effects of vesting conditions and conditions ancillary to vesting on the measurement of cash-settled share-based payments;
- Share-based payment transactions that include net settlement terms regarding the legal obligation for withholding taxes at source and a change in terms and conditions that results in a cash-settled share-based payment transaction being reclassified as being settled in equity instruments.

As at July 1, 2018, the Company adopted the amendments to IFRS 2 retrospectively and concluded that, based on its current operations, it did not have a material impact on the Company's consolidated financial statements.

3. NEW ACCOUNTING STANDARDS (CONTINUED)

IFRS 9, Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets, including impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

Classification and Measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured based on two categories: amortized costs or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Assets/Liabilities	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
In trust deposits	Loans and receivables	Amortized cost
Investments	FVOCI	FVTPL
Trade and other payables	Loans and receivables	Amortized cost
Derivative financial instruments	FVTPL	FVTPL
Long-term debt	Other financial liabilities	Amortized cost

Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

Impairment

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments and contractual assets.

3. NEW ACCOUNTING STANDARDS (CONTINUED)

IFRS 9, Financial Instruments (continued)

Impairment (continued)

Impairment losses, if any, would be recorded in the Company's administration expenses in the consolidated statement of net loss and comprehensive income, with the carrying amount of the financial asset or group of financial assets reduced through the use of an allowance account for credit losses. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of net loss and comprehensive income. The impairment reversal would be limited to the impairment decrease and, following the reversal, the carrying amount of the financial asset at the date the impairment is reversed cannot exceed what the amortized cost would have been had the impairment not been recognized.

4. 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 24, 2019, the Board of Directors approved these consolidated financial statements.

B) BASIS OF MEASUREMENT

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

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

C) FUNCTIONAL AND PRESENTATION CURRENCY

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

D) USE OF ESTIMATES AND JUDGMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

4. BASIS OF PREPARATION (CONTINUED)

D) USE OF ESTIMATES AND JUDGMENTS

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

i) Mineral reserves and resources

Key sources of estimation uncertainty

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

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

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

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

Key sources of estimation uncertainty

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

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

4. BASIS OF PREPARATION (CONTINUED)

D) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

Judgments made in relation to accounting policies

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

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

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

Judgments made in relation to accounting policies

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

Key sources of estimation uncertainty

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

iv) Determination of deferred income tax assets

Key sources of estimation uncertainty

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that future income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

4. BASIS OF PREPARATION (CONTINUED)

D) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

v) Measurement of assets and liabilities related to a business combination

Judgments made in relation to accounting policies applied

Management must use judgment in determining whether a transaction is a business combination or a purchase of assets in accordance with the criteria established in IFRS 3 *Business Combinations*. The acquisition of an asset or a group of assets that constitute a business is accounted for as a business combination and may give rise to goodwill, whereas an asset purchase does not, thereby impacting subsequent amortization expense and/or impairment testing results.

Key sources of estimation uncertainty

Several assumptions and estimates are used to determine the fair value of assets acquired and liabilities assumed, for mining properties in particular. These assumptions and estimates include, but are not limited to, discount rates, market values of comparable assets and estimated future cash flows that will be generated by the acquired assets. Changes in the assumptions used may affect the reported amounts of assets and liabilities.

5. 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 that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

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") and 11306448 Canada Inc. ("Canada") as well as the companies acquired on October 2, 2017 (note 6), Camflo Mill Inc. ("Camflo") and Louvem Mine Inc. ("Louvem").

ii) Transactions eliminated between the Company and the subsidiaries

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) FOREIGN CURRENCY TRANSLATION

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

C) REVENUE RECOGNITION

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

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

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

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

D) MINING PROPERTIES AND DEVELOPMENT COSTS

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) MINING PROPERTIES AND DEVELOPMENT COSTS (CONTINUED)

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

Beginning of the development phase

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

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

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

Beginning of the commercial production phase

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) MINING PROPERTIES AND DEVELOPMENT COSTS (CONTINUED)

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

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

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

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

F) INVENTORY

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

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

G) PROPERTY, PLANT AND EQUIPMENT

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of the Beaufor mining property

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

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

Depreciation of other property, plant and equipment

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

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

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

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

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

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

H) LEASES

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as finance costs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) LEASES (CONTINUED)

All other leases are treated as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance costs, are expensed as incurred.

I) BUSINESS COMBINATION AND GOODWILL

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J) IMPAIRMENT

Non-financial assets

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

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K) PROVISIONS

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

L) DEFERRED GRANT

Cash payments received pursuant to contractual arrangements are recorded as deferred grant until all the foregoing conditions of grant recognition have been met.

A grant is measured at the fair value of the consideration received or receivable. A grant is recognized when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company and when specific criteria have been met. A government grant is recorded as a grant against the underlying expenses according to the work progress.

M) 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 “look-back” method.

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) SHARE CAPITAL AND WARRANTS (CONTINUED)

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.

N) SHARE-BASED PAYMENTS

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

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

O) INCOME TAX

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O) INCOME TAX (CONTINUED)

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) EARNINGS PER SHARE

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

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

The following new Standards and Interpretations are not yet effective and have not been applied in preparing these financial statements:

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which establishes the principles to be used by an entity to determine the recognition, measurement, presentation and disclosure of leases for both parties to the lease, i.e. the customer (the lessee) and the supplier (the lessor). IFRS 16 replaces the standard that previously applied to leases, IAS 17, Leases, and related interpretations. IFRS 16 came into force on January 1, 2019.

The most significant change resulting from the adoption of IFRS 16 will be the recognition of right-of-use assets and lease liabilities for existing operating leases under IAS 17.

The standard allows for adoption using either the full retrospective approach or the cumulative catch-up approach. The Company has chosen the cumulative catch-up approach, which requires the cumulative effect of the initial application of IFRS 16, effective July 1, 2019, to the deficit and without restatement of prior years. Since the Company will recognize right-of-use assets in an amount equal to the lease liabilities less accrued liabilities, there will be no impact on the deficit at the adoption date. For leases previously classified as finance leases under IAS 17, right of use assets and lease liabilities as of July 1, 2019 will be equivalent to the carrying amount of the leased assets and lease liabilities immediately before that date, measured under IAS 17.

Based on management's best estimates, management expects that the adoption of IFRS 16 will not result in the recognition of significant additional right-of-use assets and significant lease liabilities for operating leases as at July 1, 2019.

IFRIC 23, Uncertainty Over Income Tax Treatments ("IFRIC 23")

The Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12, *Income Taxes*, when there is uncertainty over income tax treatment. The interpretation specifically addresses the following elements:

- a) Whether an entity should consider uncertain tax treatments separately;
- b) Assumptions made by an entity about the review of tax treatments by tax authorities;
- c) How an entity determines taxable income, tax bases, unused tax losses, unused tax credits and tax rates; and
- d) How an entity considers changes in facts and circumstances.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRIC 23, Uncertainty Over Income Tax Treatments ("IFRIC 23") (continued)

IFRIC 23 is effective for periods beginning on or after January 1, 2019. The Company expects that the adoption of IFRIC 23 will have no impact on the financial statements.

IAS 23 Borrowing Costs ("IAS 23")

In December 2017, the IASB published amendments to IAS 23. The amendments to IAS 23 clarify which borrowing costs are eligible for capitalisation in certain specific circumstances.

IAS 23 applies to financial years beginning on or after January 1, 2019. The Company expects that the adoption of the amendments to IAS 23 will have no impact on its financial statements.

6. BUSINESS COMBINATION

On October 2, 2017, the Company acquired all the mining assets of Richmond Mines Inc. ("Richmont") in Quebec. The assets acquired include all of Richmont's claims, mining leases and mining concessions, including the Beaufor mine, the Chimo, Monique and Wasamac properties and all the issued and outstanding shares of Camflo Mill Inc. and Louvem Mines Inc., as well as all plants, mills, buildings, structures, equipment, inventory and property.

In exchange, the Company issued 34,633,203 shares, representing 19.9% of its issued and outstanding common shares on an undiluted basis, having a market value of \$12,121,621. The transaction includes environmental obligations of \$6,842,373 for the Beaufor mine, Camflo mill and Monique mine restoration plans, should these facilities close in the future.

Lastly, the Company will pay Richmont royalties on the following NSR:

- 1.5% for the Wasamac property with an option to purchase 0.5% of the royalty for \$7.5 million;
- 1.0% on claims owned by Richmont in the Camflo property; and
- 1.0% for the Beaufor property after the Company has produced 100,000 ounces of gold, following the closing of the transaction.

A business combination is defined in IFRS 3, Business Combinations, as a transaction in which an acquirer obtains control of a business, which is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors. For an integrated set of activities and assets to be considered as a business, the set must include inputs and processes. The acquisition of Richmont's Quebec assets meets the definition of a business combination. Consequently, the transaction was accounted for as a business combination in which the Company is the acquirer.

The assets acquired and liabilities assumed were recognized at their provisional estimated fair value at the acquisition closing date, i.e. October 2, 2017. Acquisition-related transaction costs in the amount of \$402,424 were expensed in the consolidated statement of net loss and comprehensive loss.

On October 2, 2017, Richmont and the Company agreed to transfer \$600,000 into a trust account for a 30-month period for future payment of severance payments for employees transferred upon the acquisition of Richmont's Quebec mining assets. The whole amount was used as at June 30, 2019 (\$55,000 as at June 30, 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

6. BUSINESS COMBINATION (CONTINUED)

If the acquisition had occurred on July 1, 2017, management estimates that revenues would have been \$40,167,228 and the net loss for the year ended June 30, 2018 would have been \$2,299,444. In determining these amounts, management assumed that the fair value adjustments at the acquisition date would have been the same if the acquisition had occurred on July 1, 2017.

The following table shows the purchase price allocation between the assets acquired and liabilities assumed, based on the fair value of the total consideration at the transaction closing date. The fair value was estimated based on market participant information that management considered reasonable for assessment purposes and on other factors such as current asset conditions:

	\$
Fair value of consideration paid:	
Common shares issued	12,121,621
Fair value of net assets acquired:	
Cash	1,041,106
Other current assets	4,789,070
Assets held for sale	600,000
Property, plant and equipment, including Beaufor mining property	5,500,000
Mining properties under exploration	14,463,252
Current liabilities	(3,148,302)
Asset retirement obligations assumed	(6,842,373)
Finance leases	(1,059,756)
Deferred income and mining taxes	(3,221,376)
	12,121,621

7. INVESTMENTS

	JUNE 30, 2019	JUNE 30, 2018
	\$	\$
Balance at beginning of year	29,167	–
Shares received in consideration of the issuance of shares (Note 16)	763,750	–
Shares received in consideration of the sale of a royalty (Note 10)	390,000	–
Other income (Note 24)	874,876	–
Disposal	(61,232)	–
Change in fair value	329,475	(20,833)
Acquisition	–	50,000
BALANCE AT END OF YEAR	2,326,036	29,167

Investments consist of common shares of publicly traded Canadian companies.

8. INVENTORY

	JUNE 30, 2019	JUNE 30, 2018
	\$	\$
Precious metals	954,135	331,335
Ore	–	257,765
Supplies	1,318,295	2,049,068
2,272,430	2,638,168	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

9. PROPERTY, PLANT AND EQUIPMENT

	POWER LINE UNDER CONSTRUCTION ^(A)	LEASEHOLD IMPROVEMENTS	MINING ASSETS UNDER CONSTRUCTION ^(A)	BEAUFOR MINING PROPERTY	BUILDINGS AND EQUIPMENT	TOTAL
	\$	\$	\$	\$	\$	\$
COST						
Balance as at June 30, 2017	96,531	–	7,327,203	–	–	7,423,734
Acquisitions	287,271	167,306	289,275	–	2,198,651	2,942,503
Business combination	–	–	–	1,000,000	4,500,000	5,500,000
Disposal	–	–	(4,800)	–	–	(4,800)
Capitalized interest	–	–	336,295	–	–	336,295
Adjustments of asset retirement obligations	–	–	39,285	–	–	39,285
Grant	(215,453)	–	–	–	–	(215,453)
Balance as at June 30, 2018	168,349	167,306	7,987,258	1,000,000	6,698,651	16,021,564
Acquisitions	17,392	11,663	4,172	–	597,702	630,929
Capitalized interest	–	–	393,539	–	–	393,539
Adjustments of asset retirement obligations	–	–	468,094	–	(22,589)	445,505
Cancellation of the grant (Note 13)	518,091	–	–	–	–	518,091
Grant	(13,044)	–	–	–	–	(13,044)
Balance as at June 30, 2019	690,788	178,969	8,853,063	1,000,000	7,273,764	17,996,584
CUMULATIVE AMORTIZATION						
Balance as at June 30, 2017	–	–	–	–	–	–
Amortization	–	23,343	–	204,451	1,297,116	1,524,910
Balance as at June 30, 2018	–	23,343	–	204,451	1,297,116	1,524,910
Amortization	–	41,877	–	113,352	1,030,173	1,185,402
Balance as at June 30, 2019	–	65,220	–	317,803	2,327,289	2,710,312
NET CARRYING AMOUNT						
Balance as at June 30, 2018	168,349	143,963	7,987,258	795,549	5,401,535	14,496,654
Balance as at June 30, 2019	690,788	113,749	8,853,063	682,197	4,946,475	15,286,272

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

10. MINING PROPERTIES

PROPERTIES ⁽¹⁾	ROYALTIES ⁽²⁾	JUNE 30, 2018	ACQUISITIONS	DISPOSAL	JUNE 30, 2019
		\$	\$		\$
Wasamac ⁽⁴⁾	1.5 %	14,463,252	254,519	–	14,717,771
Croinor Gold	1.5 %	2,843,889	–	–	2,843,889
McKenzie Break ^{(3) (5)}	1.5 %	2,558,624	447,843	–	3,006,467
Swanson ⁽³⁾	1.5 %	1,705,749	110,407	–	1,816,156
Simkar Gold	1.5 %	91,006	–	–	91,006
Other	0.5 % - 2.5 %	112,255	35,600	–	147,855
		21,774,775	848,369	–	22,623,144

PROPERTIES ⁽¹⁾	ROYALTIES ⁽²⁾	JUNE 30, 2017	ACQUISITIONS	DISPOSAL	JUNE 30, 2018
		\$	\$	\$	\$
Wasamac	1.5 %	–	14,463,252	–	14,463,252
Courvan	–	–	400,000	(400,000)	–
Chimo	–	–	175,000	(175,000)	–
Croinor Gold	1.5 %	2,843,889	–	–	2,843,889
McKenzie Break ⁽³⁾	1.5 %	–	2,558,624	–	2,558,624
Swanson ⁽³⁾	1.5 %	–	1,705,749	–	1,705,749
Simkar Gold	1.5 %	91,006	–	–	91,006
Autres	0.5 % - 2.5 %	108,538	28,717	(25,000)	112,255
		3,043,433	19,331,342	(600,000)	21,774,775

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

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

⁽³⁾ An amount of \$276,017 was capitalized as an accretion expense during the year ended June 30, 2019 (\$160,195 as at June 30, 2018).

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

⁽⁵⁾ An amount of \$282,233 was recorded as an adjustment to the asset retirement obligations.

Year ended June 30, 2019:

Sale of the royalty on the Chimo property

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

Chimo property

On September 7, 2018, the Company sold its 30% interest in the Chimo property, acquired following the acquisition of Richmond's mining assets, located in Québec, to Chalice Gold Mines Limited ("Chalice") for 3 million fully paid common shares of Chalice, with a fair value of \$390,000, and an NSR royalty of 0.5 and 1.5% (0.5% on claims with pre-existing royalties and 1.5% on all other claims). Chalice has the right to repurchase 0.5% of the Company's NSR for \$1.0 million at any time.

10. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2019 (continued):

Chimo property (continued)

Previously, in March 2018, Chalice exercised an option to acquire a 70% interest in the property in the context of an option agreement that would require, in exchange, exploration expenditures of \$3.1 million, option payments of \$200,000 and the granting to the Company of a 1% NSR on certain claims.

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

Sale of the East Amphi property royalty

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

Year ended June 30, 2018:

Courvan

The Company acquired the Courvan property as part of the acquisition of Richmond's Québec assets (note 6). This property was subsequently disposed of for an amount of \$400,000.

McKenzie Break and Swanson

On December 21, 2017, the Company entered into an agreement to acquire the McKenzie Break and Swanson properties from Agnico Eagle Mines Limited ("Agnico").

To acquire the McKenzie Break and Swanson properties, the Company must pay Agnico a total of \$4,600,000, of which \$1,600,000 will be payable in cash and \$3,000,000 payable in common shares of the Company over a four-year period. The payments will be distributed as follows and are secured by two mining properties acquired in the transaction:

- on closing: \$600,000 in common shares (representing 2,222,222 common shares upon issuance);
- on the 1st, 2nd, 3rd and 4th anniversaries of the agreement: \$400,000 in cash and \$600,000 in common shares.

Agnico will also receive a 1.5% net smelter return royalty for each property. Each royalty may be reduced to 1.0% in exchange for a payment of \$750,000.

Subsequently to this transaction, the Company purchased a 1.5% net smelter return royalty for the McKenzie Break property for a cash payment of \$64,425 (US\$50,000) and 600,000 common shares of the Company with a fair value of \$240,000.

During the year ended June 30, 2019, the Company sold a royalty in exchange for a decrease in the purchase price balance. See Note 14 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

10. MINING PROPERTIES (CONTINUED)

Year ended June 30, 2018 (continued):

McKenzie Break and Swanson (continued)

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

	\$
Fair value of consideration paid:	
Cash	64,425
Common shares issued	840,000
Purchase price balance payable, discounted at the effective interest rate of 10%	3,137,794
Transaction costs	61,959
	4,104,178
Fair value of assets acquired:	
Mining property	4,104,178
	4,104,178

11. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are as follows:

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

	JUNE 30, 2017	EXPLORATION EXPENSES	JUNE 30, 2018
	\$	\$	\$
Croinor Gold	4,784,002	2,944,114	7,728,116
Wasamac	–	497,601	497,601
McKenzie Break	–	170,571	170,571
Swanson	–	116,233	116,233
Simkar Gold	1,314,162	53,490	1,367,652
Others	41,512	4,461	45,973
	6,139,676	3,786,470	9,926,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

11. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Exploration and evaluation assets by nature are as follows:

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Exploration and evaluation expenses:		
Salaries, supervision and consultants	3,438,102	570,201
Geology and geophysics	929,382	1,731,396
Test, sampling and prospecting	1,117,479	150,387
Drilling, equipment rental and other material	2,177,937	1,332,680
Lodging, meals and travel expenses	–	1,806
Increase in exploration and evaluation expenses	7,662,900	3,786,470
Balance, beginning of year	9,926,146	6,139,676
Balance, end of year	17,589,046	9,926,146

12. CONTRACT LIABILITIES

On October 2, 2017, the Company entered into an agreement with Auramet International LLC (“Auramet”) to sell part of its future gold production for \$4,988,800 (US\$4,000,000). The Company undertook to transfer to Auramet 287 ounces of gold in 12 equal monthly transfers commencing on October 31, 2017 and ending on September 30, 2018, inclusively.

The initial deposit was recorded as a contract liability and was recognized in the Company's income based on the quantity of gold to be delivered over the term of the contract.

The revenue recorded under this contract for the year ended June 30, 2019 is \$1,247,200 (\$3,741,600 in 2018). The balance of contracts liabilities is nil as at June 30, 2019 (\$1,297,200 in 2018).

13. DEFERRED GRANT

The Company has an agreement with the Ministère de l'Énergie et des Ressources Naturelles (“MERN”) whereby the latter funds a portion of the construction cost, based on expenditures incurred by the Company.

In January 2016, the MERN awarded the Company a grant corresponding to 75% of the total design and construction budget for the Croinor property's power line over the next 36 months.

The Company committed to reduce its future GHG emissions by 8,626.8 tonnes of CO₂ equivalent per year compared to the reference project presented to the MERN, which was based on diesel energy, over a seven-year period herein defined as the duration of its commitment. If this objective is not reached, the grant will be prorated based on actual results achieved. In addition, the project must be completed within 36 months of the effective date of the agreement, with the possibility of an extension for an additional 12 months. In the event that the project does not meet the deadlines, the grant is repayable.

As at June 30, 2019, the Company had capital expenditures totalling \$690,788 (\$673,396 as at June 30, 2018). As a result, the Corporation was unable to complete the project on schedule. Furthermore, as at June 30, 2019, the amount of \$505,047 initially recorded as a reduction of property, plant and equipment was reversed and a liability of \$684,375, representing amounts received by the Company, was recorded in trade and other payables. The deferred grant was therefore nil as at June 30, 2019 (\$179,328 as at June 30, 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

14. LONG-TERM DEBT

	PURCHASE PRICE BALANCE - BEACON	PURCHASE PRICE BALANCE MCKENZIE BREAK AND SWANSON	FINANCE LEASE	TOTAL
	\$	\$	\$	\$
Balance as at June 30, 2017	3,346,971	–	–	3,346,971
Acquisitions (Note 10)	–	3,137,794	1,059,756	4,197,550
Accrued interest for the year	336,295	160,195	–	496,490
Repayment	–	–	(292,308)	(292,308)
Exchange rate impact	61,080	–	–	61,080
Balance as at June 30, 2018	3,744,346	3,297,989	767,448	7,809,783
Accrued interest for the year	393,539	276,017	–	669,556
Repayment	–	(1,000,000)	(406,979)	(1,406,979)
Cost of modifying terms	191,379	–	–	191,379
Early repayment	–	(724,832)	–	(724,832)
Exchange rate impact	(31,148)	–	–	(31,148)
Balance as at June 30, 2019	4,298,116	1,849,174	360,469	6,507,759
Current portion	–	400,000	344,787	744,787
Non-current portion	4,298,116	1,449,174	15,682	5,762,972

As at June 30, 2019, the purchase price balance - Beacon payable in a foreign currency is US \$3,284,265 and bears interest at an annual rate of 10%.

Purchase price balances are discounted at an effective rate of 10% per year.

Principal payments in the coming years are as follows:

	PURCHASE PRICE BALANCE – BEACON (INCLUDING CAPITALIZED INTEREST)	PURCHASE PRICE BALANCE IN VARIABLE SHARES - MCKENZIE BREAK AND SWANSON	PURCHASE PRICE BALANCE IN CASH - MCKENZIE BREAK AND SWANSON	FINANCE LEASES	TOTAL
	\$	\$	\$	\$	\$
2020	–	–	400,000	353,516	753,516
2021	3,622,533	400,000	400,000	15,745	4,438,278
2022	1,444,354	600,000	400,000	–	2,444,354
	5,066,887	1,000,000	1,200,000	369,261	7,636,148
Finance expense	–	–	–	8,792	8,792
	5,066,887	1,000,000	1,200,000	360,469	7,627,356

Balance of variable share purchase price - McKenzie Break and Swanson

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

14. LONG-TERM DEBT (CONTINUED)

Purchase price balance – Beacon

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

15. ASSET RETIREMENT OBLIGATIONS

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

The inflation rate (adjusted for the risks specific to this liability) used to determine the future value of the bonds is based on the expected life of the transactions, which is 3.5% (3.6% in 2018). The rate reflecting current market assessments used to determine the present value of the obligations is 1.6% (between 2.0% and 2.2% in 2018). The payment schedule was determined considering proved and probable reserves, expected annual production level and estimated life of the mine and mills. The following table presents the estimated undiscounted cash flows resulting from future restoration costs used in the calculation of asset retirement obligations for the year ended June 30, 2019:

	TOTAL ESTIMATED CASH FLOW	EXPECTED TIMING OF CASH FLOW PAYMENT
	\$	
Camflo Mill	5,434,337	2031 and subsequent
Beaufor Mine	1,178,864	2028 and subsequent
Beacon Mill	3,380,198	2028 and subsequent
Monique Mine	1,812,706	2024 and subsequent
Croinor Gold Project	416,155	2027 and subsequent
McKenzie Break Project	282,233	2030 and subsequent
	12,504,493	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

15. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

A) FINANCIAL GUARANTEES

The following table shows the allocation of financial guarantees issued as at June 30, 2019 and June 30, 2018:

	JUNE 30, 2019	JUNE 30, 2018
	\$	\$
Camflo Mill	3,339,423	3,339,423
Beaufor Mine	793,341	793,341
Beacon Mill	1,805,380	1,805,380
Monique Mine	947,663	947,663
Croinor Gold Project	416,155	416,155
	7,301,962	7,301,962
Cash deposit	4,253,706	7,301,962
Bond	3,048,256	–

B) OBLIGATIONS ALLOCATION

The following table shows the allocation of asset retirement obligations as at June 30, 2019 and June 30, 2018:

	JUNE 30, 2019	JUNE 30, 2018
	\$	\$
Camflo Mill	4,472,325	4,075,474
Beaufor Mine	1,016,592	1,320,497
Beacon Mill	2,914,911	2,398,031
Monique Mine	1,663,690	1,588,179
Croinor Gold Project	416,155	416,155
McKenzie Break Project	282,233	–
	10,765,906	9,798,336

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

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Balance, beginning of year	9,798,336	2,734,993
New obligation	282,233	–
Business combinations (Note 6)	–	6,842,373
Accretion expense	197,644	122,373
Assumption changes	487,693	98,597
Balance, end of year	10,765,906	9,798,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

16. SHARE CAPITAL AND WARRANTS

Authorized:

Unlimited number of common shares without par value

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

	NUMBER OF WARRANTS	NUMBER OF SHARES	AMOUNT
Balance as at June 30, 2017	23,735,427	147,601,392	35,068,180
Paid cash	–	31,464,086	11,525,251
Common shares related to a business acquisition (Note 6)	–	34,633,203	12,121,621
Common shares related to the acquisition of mining properties (Note 10)	–	2,822,222	840,000
Flow-through shares ⁱⁱ⁾	–	8,984,033	2,335,849
Warrants exercised	(6,758,031)	6,758,031	1,083,421
Share purchase options exercised	–	790,000	225,200
Warrants granted	7,591,812	–	37,509
Warrants expired	(488,199)	–	–
Balance as at June 30, 2018	24,081,009	233,052,967	63,237,031
Flow-through shares ⁱ⁾	–	9,090,212	2,102,870
Common shares related to the acquisition of an investment in shares (Note 7)	–	3,250,000	763,750
Common shares related to the repayment of a purchase price balance (Note 14)	–	2,812,940	600,000
Common shares related to the acquisition of mining properties	–	170,000	27,300
Exercise of options	–	745,000	152,100
Warrants granted	118,182	–	9,454
Warrants expired	(8,571,430)	–	–
Balance as at June 30, 2019	15,627,761	249,121,119	66,892,505

ⁱ⁾ The carrying value of flow-through shares is presented net of the \$896,900 flow-through share premium liability that was recorded on the issuance of flow-through shares during the financing on December 13, 2018, April 18, 2019 and April 26, 2019. As at June 30, 2019, the balance of the liability related to the flow-through share premium related to the April 18, 2019 and April 26, 2019 financing was \$571,723.

ⁱⁱ⁾ The carrying value of flow-through shares is presented net of the liability for the flow-through share premium of \$1,033,163 that was recorded on the flow-through share issues during the November 16, 2017 and December 7, 2017 financings. As at June 30, 2018, the balance of the liability related to the flow-through share premium was \$1,033,163.

The carrying value of flow-through shares is presented net of the \$2,077,041 flow-through share premium liability that was recorded on the issuance of flow-through shares during the financing on July 7, 2016, December 16, 2016, December 23, 2016 and March 8, 2017. As at June 30, 2018, the balance of the flow-through share premium liability related to the March 8, 2017 financing was \$359,328 (\$1,394,153 as at June 30, 2017).

16. SHARE CAPITAL AND WARRANTS (CONTINUED)

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

A) YEAR ENDED JUNE 30, 2019

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

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

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

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

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

B) YEAR ENDED JUNE 30, 2018

On March 12, 2018, the Company completed a non-brokered private placement for the issuance of 12,820,513 units priced at \$0.39 per unit, for gross proceeds of \$5,000,000. Each unit is comprised of one common share and one half common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share in the capital of the Company at a price of \$0.45 for a period of 36 months following the closing of the private placement.

On December 7, 2017, the Company completed the second portion of a brokered private placement for the issuance of 4,853,333 flow-through shares priced at \$0.375 per flow-through share, for gross proceeds of \$1,819,999.

On November 16, 2017, the Company completed the first portion of a brokered private placement for the issuance of 4,130,700 flow-through shares priced at \$0.375 per flow-through share, for gross proceeds of \$1,549,013.

On October 2, 2017, the Company completed a non-brokered private placement for the issuance of 18,643,573 common shares priced at \$0.35 per share, for gross proceeds of \$6,525,251.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. SHARE CAPITAL AND WARRANTS (CONTINUED)

B) YEAR ENDED JUNE 30, 2018 (CONTINUED)

Between July 1, 2017 and June 30, 2018, 790,000 options were exercised at an exercise price of \$0.20 and 6,758,031 warrants were exercised at a weighted average exercise price of \$0.16. As a result, the Company received an aggregate amount of \$1,244,421 and issued a total of 7,548,031 common shares.

C) WARRANTS GRANTED TO NON-BROKERS

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

	YEAR ENDED JUNE 30, 2019		YEAR ENDED JUNE 30, 2018	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of year	23,099,541	0.41	22,693,674	0.33
Granted	–	–	6,410,256	0.45
Expired	(8,571,430)	0.25	(107,634)	0.18
Exercised	–	–	(5,896,755)	0.15
Outstanding, end of year	14,528,111	0.51	23,099,541	0.41

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2019	EXERCISE PRICE \$	EXPIRY DATE
4,083,333 (exercisable)	0.51	July 2019
4,034,522 (exercisable)	0.60	March 2020
6,410,256 (exercisable)	0.45	March 2021
14,528,111		

D) WARRANTS GRANTED TO BROKERS

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

	YEAR ENDED JUNE 30, 2019		YEAR ENDED JUNE 30, 2018	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of year	981,468	0.45	1,041,753	0.36
Granted	118,182	0.33	1,181,556	0.31
Expired	–	–	(380,565)	0.25
Exercised	–	–	(861,276)	0.22
Outstanding, end of year	1,099,650	0.42	981,468	0.45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

16. SHARE CAPITAL AND WARRANTS (CONTINUED)

D) WARRANTS GRANTED TO BROKERS (CONTINUED)

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

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2019	EXERCISE PRICE	EXPIRY DATE
	\$	
280,000 (exercisable)	0.375	November 2019
247,842 (exercisable)	0.375	December 2019
453,626 (exercisable)	0.500	March 2020
118,182 (exercisable)	0.330	April 2021
1,099,650		

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

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

17. SHARE PURCHASE OPTIONS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. SHARE PURCHASE OPTIONS (CONTINUED)

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

	YEAR ENDED JUNE 30, 2019		YEAR ENDED JUNE 30, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	7,567,500	0.28	5,410,000	0.22
Granted	2,830,000	0.30	3,445,000	0.37
Expired	(120,000)	0.15	–	–
Cancelled	(622,500)	0.37	(497,500)	0.37
Exercised	(745,000)	0.13	(790,000)	0.20
Outstanding, end of year	8,910,000	0.30	7,567,500	0.28
Exercisable, end of year	4,336,250	0.26	4,495,000	0.22

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

NUMBER OF OPTIONS OUTSTANDING AS AT JUNE 30, 2019		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	\$	
200,000	200,000	0.13	January 2020
775,000	775,000	0.12	May 2020
75,000	75,000	0.10	November 2020
825,000	825,000	0.08	January 2021
500,000	500,000	0.50	August 2021
1,265,000	1,265,000	0.33	November 2021
2,195,000	623,750	0.37	October 2022
245,000	72,500	0.37	December 2022
2,580,000	–	0.31	July 2023
250,000	–	0.25	February 2024
8,910,000	4,336,250		

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17. SHARE PURCHASE OPTIONS (CONTINUED)

For the year ended June 30, 2019, the application of the fair value model resulted in an expense of \$415,176 (\$199,764 in 2018).

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

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
Risk-free interest rate	2.40%	1.66%
Expected dividend rate	– %	– %
Expected volatility	80%	80%
Expected life of options	5 years	5 years
	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Weighted average fair value of share purchase options granted during the year	0.19	0.19

18. CONTINGENCIES

- A) The Company's operations are governed by laws and regulations regarding environmental protection. Environmental consequences are difficult to identify in terms of level, impact and timing. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. Asset retirement obligations are accrued in the financial statements only when it can be determined that a present obligation exists that would give rise to environmental consequences for the exploration activities performed on the land, and when it can be reliably estimated. Such obligations will be capitalized to the cost of the related assets at that time.
- B) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to taking all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company. In such an event, the Company would indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

19. COMMITMENTS

The Company had the following commitments as at June 30, 2019:

A) ROYALTIES

Properties	Net smelter return (NSR) royalties
Beaufor	1.0% payable after the Company has produced 100,000 ounces of gold
Croinor Gold	1.5%
McKenzie Break	1.5% (0.5% redeemable for \$750,000)
Simkar Gold	1.5% (0.5% redeemable for \$1 million, except on 11 claims)
Swanson	1.5% (0.5% redeemable for \$750,000)
Wasamac	1.5% (0.5% redeemable for \$7.5 million)
Others	1.0% to 1.5%

19. COMMITMENTS (CONTINUED)

B) FLOW-THROUGH SHARES

During the year ended June 30, 2018, the Company agreed to pay, before December 31, 2018, \$3,369,013 in eligible exploration and evaluation expenses, in accordance with the Income Tax Act of Canada and the Taxation Act of Quebec, and to transfer these tax deductions to subscribers of the flow-through share investments completed on November 16, 2017 and December 7, 2017. In connection with this commitment, the Company has incurred cumulative eligible expenses of \$3,369,013 as at December 31, 2018 (nil as at June 30, 2018) and therefore has no funds reserved for exploration and evaluation (\$3,369,013 as at June 30, 2018) and no liabilities related to flow-through shares (nil as at June 30, 2018) with respect to this commitment as at June 30, 2019.

During the year ended June 30, 2018, the Company agreed to pay, before December 31, 2018, \$3,325,080 in eligible exploration and evaluation expenses, in accordance with the Income Tax Act of Canada and the Taxation Act of Quebec, and to transfer these tax deductions to subscribers of the flow-through share investment completed on March 8, 2017. In connection with this commitment, the Company has incurred cumulative eligible expenses of \$3,325,080 as at December 31, 2018 (\$2,412,939 as at June 30, 2018) and therefore has no funds reserved for exploration and evaluation and no liabilities related to flow-through shares with respect to this commitment as at June 30, 2019 (\$912,141 as at June 30, 2018).

During the year ended June 30, 2019, the Company has undertaken to pay, before December 31, 2019, an amount of \$999,770 in eligible exploration and evaluation expenses, in accordance with the *Income Tax Act of Canada* and the *Taxation Act of Quebec*, and to transfer these tax deductions to subscribers of the flow-through share investment completed on December 13, 2018. In connection with this commitment, the Company has incurred cumulative eligible expenses of \$999,770 as at June 30, 2019 and therefore has no funds reserved for exploration and evaluation and no liabilities related to flow-through shares related to this commitment as at June 30, 2019.

During the year ended June 30, 2019, the Company committed to pay, before December 31, 2020, \$2,000,000 in eligible exploration and evaluation expenses, in accordance with the *Income Tax Act of Canada* and the *Taxation Act of Quebec*, and to transfer these tax deductions to investors in flow-through share investments completed on April 18 and April 26, 2019. In connection with this commitment, the Company incurred cumulative eligible expenses of \$73,311 as at June 30, 2019. As a result, the Company has restricted funds for exploration and evaluation of \$1,926,689 and a flow-through share liability of \$571,723 as at June 30, 2019.

C) LEASE

The Company rents office space for a monthly amount of \$3,067 until June 30, 2022. As at June 30, 2019, the total contractual payments remaining until June 30, 2022, assuming the lease will not be terminated before the end of the term, amounted to 110,412 \$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

20. REVENUES

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Precious metals sales	20,748,250	23,913,567
Contract milling sales	10,856,967	6,193,558
Others	47,652	18,296
	31,652,869	30,125,421

21. COST OF SALES

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Mining	25,963,874	26,138,626
Definition drilling	87,047	903,492
Royalties	108,076	140,949
Amortization	1,143,524	1,501,567
	27,302,521	28,684,634

22. ADMINISTRATION

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Salaries, directors' fees and related benefits	2,931,623	2,164,815
Share-based payments	415,176	199,761
Consultants and professional fees	1,131,634	1,282,282
Rental, office, maintenance and other expenses	588,119	616,000
Insurance, taxes and permits	661,525	511,791
Investor relations and representation expenses	501,072	633,546
Amortization	41,878	23,343
	6,271,027	5,431,538

23. FINANCE EXPENSE

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Interest on long-term debt	130,446	34,553
Accretion expense	197,644	122,373
Cost of modifying the terms of a purchase price balance	191,379	-
Adjustments related to asset retirement obligations	42,188	59,312
Others	41,407	20,049
	603,064	236,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. OTHER INCOME

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

25. OTHER CASH FLOW INFORMATION

Change in non-cash working capital items:

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Commodity taxes and other receivables	224,597	1,522,286
Inventory	365,738	(185,563)
Prepaid expenses and deposits	(163,002)	(619,679)
Trade and other payables	(4,036,147)	4,128,331
	(3,608,814)	4,845,375

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
<u>Non-cash items:</u>		
Change in trade and other payables related to exploration and evaluation assets	914,500	(579,306)
Issuance of shares related to the acquisition of mining properties and a royalty	627,300	840,000
Issuance of shares related to the acquisition of investments	763,750	–
Capitalized interest on property, plant and equipment	393,539	336,295
Capitalized interest on mining properties	276,017	160,195
Other income recorded in investments	874,876	–
Issuance of shares related to the business combination	–	12,121,621
Investments received as deferred income	–	50,000

26. COMPENSATION

A) TOTAL COMPENSATION

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Salaries, directors' fees, premiums and other benefits	12,529,947	13,412,823
Share-based payments	415,176	199,761
Defined contribution plan	428,262	426,983
Government plans	1,638,173	1,760,973
	15,011,558	15,800,540

As at June 30, 2019, trade and other payables included an amount of \$1,054,014 payable for salaries and other benefits (\$415,110 as at June 30, 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

26. COMPENSATION (CONTINUED)

B) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel includes 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 Operations.

Key management personnel compensation includes the following expenses:

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Salaries, directors' fees, premiums and other benefits	1,045,338	930,917
Defined contribution plan	36,674	8,977
Government plans	67,982	43,918
Share-based payments	311,382	78,143
	1,461,376	1,061,955

During the year ended June 30, 2019, key management personnel exercised 745,000 options (790,000 in 2018) with a total exercise price of \$98,000 (\$161,500 in 2018).

27. IMPAIRMENT OF NON-FINANCIAL ASSETS

Due to the higher than expected losses generated by the mining assets in operation and the fact that they are placed in care and maintenance mode, the Company concluded that an impairment test should be performed for all of these assets. These assets are divided into two CGUs, the first related to Beaufor's mining property and its related buildings and equipment ("Beaufor CGU") and the second related to the Camflo Inc. processing plant and related equipment ("Camflo CGU"). It was determined that the Camflo CGU could generate cash flows independent of the Beaufor CGU since it is engaged in gold ore processing activities for other mines.

The measurement bases used to determine the recoverable amounts are fair value less costs of disposal for the Beaufor CGU and value in use for the Camflo CGU.

The recoverable amount of the Beaufor CGU was determined using external valuations to estimate the fair value of assets based on market price available based on a recent purchase, while the recoverable amount of the Camflo CGU was determined using estimated future cash flow projections discounted at an effective interest rate of 20% that reflects current market assessments of the time value of money and the risks specific to these assets. The Company believes that the Camflo mill could be used to process ore from its other properties when they will be in production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

27. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

The assumptions used above for the external asset valuations, and estimated future cash flows, are based on management's best estimates as at June 30, 2019 and may change significantly in the future, based on potential changes in the gold industry such as the price of gold and currency fluctuations between the Canadian and US dollars, interest rates and any other event beyond management's control that may affect the global economy. The estimated recoverable amounts may therefore differ significantly from actual future recoverable amounts.

Based on these measurements, the Company concluded that the recoverable amounts of the two CGUs were higher than their carrying amounts as at June 30, 2019 and 2018. As a result, no impairment was recognized.

As at June 30, 2019, the Company also determined that there were no material events or changes in circumstances indicating that the carrying amount of its other non-current assets may not be recoverable. As such, no other impairment losses were recognized during the year ended June 30, 2019 (nil in 2018).

28. DEFERRED INCOME AND MINING TAXES

The income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.65 % (26.75% in 2018) to the profit (loss) before income taxes due to the following:

	JUNE 30, 2019	JUNE 30, 2018
	\$	\$
Earnings (loss) before income taxes	2,177,244	(4,295,079)
Expected tax recovery	580,234	(1,148,933)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	110,644	52,937
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	1,421,597	1,003,415
Non-deductible expenses and other	161,877	102,557
Change in unrecognized tax assets	192,657	376,159
Deduction of mining tax recovery	(269,883)	(358,357)
Permanent difference arising from non-taxable income related to flow-through shares	(457,759)	(274,229)
Deferred mining tax expense	1,011,717	1,352,028
Recognition of previously unrecognized tax benefits	(844,212)	(623,805)
Non-taxable income	(126,125)	-
Non-taxable change in fair value of investments	(162,654)	-
Others	73,246	-
Income tax expense	1,691,339	481,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

28. DEFERRED INCOME AND MINING TAXES (CONTINUED)

Movements in temporary differences during the years ended June 30, 2019 and June 30, 2018 are detailed as follows:

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

	BALANCE AS AT JUNE 30, 2017	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN SHAREHOLDERS' EQUITY	RECOGNIZED IN BUSINESS COMBINATION	BALANCE AS AT JUNE 30, 2018
	\$	\$	\$	\$	\$
Deferred income tax assets					
Property, plant and equipment	–	365,716	–	914,278	1,279,994
Operating losses	951,613	1,805,563	–	–	2,757,176
Asset retirement obligations	–	700,686	–	1,813,230	2,513,916
Share issuance costs	–	(660,798)	835,688	–	174,890
	951,613	2,211,167	835,688	2,727,508	6,725,976
Deferred income tax liabilities					
Deferred mining taxes	(984,223)	(1,157,951)	–	(1,761,884)	(3,904,058)
Mining properties	(492,165)	752,734	–	(3,524,500)	(3,263,931)
Property, plant and equipment	(31,720)	(606,497)	–	(662,500)	(1,300,717)
Exploration and evaluation assets	(679,713)	(1,282,582)	–	–	(1,962,295)
Long-term debt and other	–	(199,033)	–	–	(199,033)
	(2,187,821)	(2,493,329)	–	(5,948,884)	(10,630,034)
	(1,236,208)	(282,162)	835,688	(3,221,376)	(3,904,058)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. DEFERRED INCOME AND MINING TAXES (CONTINUED)

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

	BALANCE AS AT JUNE 30, 2019	BALANCE AS AT JUNE 30, 2018
	\$	\$
Non-capital loss carry forwards	423,625	952,941
Share issuance costs	–	121,239
Capital losses	–	3,498
	423,625	1,077,678

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

Trade and other payables include \$352,743 as at June 30, 2019 (\$194,517 as at June 30, 2018) of income taxes and mining taxes payable.

As at June 30, 2019, the Company had the following non-capital tax losses available to reduce future years' income for tax purposes:

YEAR INCURRED	FEDERAL	PROVINCIAL	EXPIRY DATE
	\$	\$	
2007	569,407	511,578	2027
2008	566,242	563,958	2028
2009	187,288	186,829	2029
2010	61,391	61,391	2030
2011	174,690	174,690	2031
2012	1,152,397	1,152,397	2032
2013	644,585	644,585	2033
2014	1,029,279	1,024,668	2034
2015	1,338,862	1,269,245	2035
2016	1,078,659	1,065,932	2036
2017	2,543,754	2,306,321	2037
2018	4,110,021	4,110,021	2038
2019	4,504,531	4,504,531	2039
	17,961,106	17,576,146	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. EARNINGS (LOSS) PER SHARE

	YEAR ENDED JUNE 30, 2019	YEAR ENDED JUNE 30, 2018
	\$	\$
Net earnings (net loss)	485,905	(4,776,851)
Weighted average number of basic ordinary shares	238,021,401	202,283,614
Dilutive effect of share purchase options	1,032,527	–
Weighted average number of basic ordinary shares	239,053,928	202,283,614

Warrants and share purchase options were excluded from the calculation of the diluted weighted average number of common shares outstanding for fiscal 2018, as the Company was at a loss. Consequently, their effect would have been anti-dilutive.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

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

The carrying amount of the non-current liability, which includes the long-term debt, approximates its fair value since market conditions did not change significantly between the transaction dates and June 30, 2019.

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

AS AT JUNE 30, 2019	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial assets measured at fair value					
Available-for-sale investments	2,326,036	2,326,036	2,326,036	–	–
Financial liabilities measured at amortized cost					
Purchase price balances	6,147,290	–	–	–	6,147,290
AS AT JUNE 30, 2018	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
	\$	\$	\$	\$	\$
Financial assets measured at fair value					
Available-for-sale investments	29,167	29,167	29,167	–	–
Financial liabilities measured at amortized cost					
Purchase price balances	7,042,335	–	–	–	7,042,335
Financial liabilities measured at fair value					
Derivative financial instruments	9,182	9,182	–	9,182	–

30. 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 the way the exposure is managed are described hereafter:

i) Market risk

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

Interest rate risk

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

Currency risk

Exposure to currency exchange rates arises from revenues from the sale of precious metals and purchases that the Company carries out in foreign currencies. Precious metal revenues are either earned in or based on US dollar precious metal prices, while most operating costs are in Canadian dollars. Since the price of gold is established in US dollars, the Company may manage its exposure to this risk by occasionally entering into various types of foreign exchange contracts or completing sales directly in Canadian dollars with institutions. As at June 30, 2019, US dollar-denominated financial instruments consisted of the amounts payable under the purchase price balance.

The purchase price balance including capitalized interest, denominated in US dollars, was CA \$4,298,116 (US\$3,284,265) at June 30, 2019 and CA \$3,744,347 (US \$2,843,520) at June 30, 2018. The Company has not entered into any foreign exchange contracts to mitigate this risk.

A 5% increase or decrease in the U.S. dollar at the balance sheet date would have increased (decreased) the value of the purchase price balance by \$164,213 at June 30, 2019 (\$187,215 at June 30, 2018), assuming that all other variables, in particular interest rates, remained constant.

Gold commodity price risk

The Company's income is directly related to commodity prices as revenues are derived primarily from the sale of gold. For its gold production, the Company may reduce its risk of a decrease in the price of gold through the occasional use of forward sales contracts and put and call options.

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

i) Market risk (continued)

Gold commodity price risk (continued)

The Company recognizes all derivative instruments at fair value, except for certain derivative instruments eligible for the exception for purchases and sales in the normal course of business.

As at June 30, 2019, the Company had the following outstanding derivative contracts for gold production:

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

As at June 30, 2018, the Company had the following outstanding derivative contracts for gold production:

				JUNE 30, 2018	
Expiration	Call options (ounces)	(\$)	Forward contracts (ounces)	(\$)	
August 2018	1,875	1,689	(625)	1,688	
August 2018	(2,500)	1,700	-	-	
Balance as at June 30, 2018		(625)	(625)		

The fair value of these derivative instruments is an estimate of the amounts the Company would receive or would have to pay to terminate the outstanding contractual obligations at the reporting date. The fair value of these non-eligible contracts, for the exception for purchases and sales in the normal course of business as at June 30, 2019, is \$nil (negative fair value of \$9,182 as at June 30, 2018). The fair value of forward contracts is marked against the spot price of gold on the valuation date and then adjusted for any forward premiums or discounts that may exist in the Canadian dollar and gold market. The fair value of option positions is valued using the Black-Scholes model adjusted for counterparty credit risk. Model inputs are based on market conditions on the valuation date using mid-market rates (midpoint of bid and ask spreads).

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk exposure and management (continued)

ii) Credit risk

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

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the financial obligations associated with its financial liabilities as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 31. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2019, all of the Company's financial liabilities and other obligations had contractual maturities of less than one year (except for the purchase price balances payable and direct financing leases) and the Company had enough funds available to meet its current financial liabilities.

The following table shows the Company's financial liabilities based on the contractual maturities, including any interest payable, as at June 30, 2019:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 TO 12 MONTHS	12 TO 24 MONTHS	OVER 24 MONTHS
	\$	\$	\$	\$	\$
Trade and other payables	3,172,192	3,172,192	3,172,192	-	-
Purchase price balances payable in cash	5,138,974	6,066,887	-	4,022,533	2,044,354
Finance leases	360,469	369,261	353,516	15,745	-
	8,671,635	9,608,340	3,525,708	4,038,278	2,044,354

31. CAPITAL MANAGEMENT

As at June 30, 2019, the Company's capital consists of shareholders' equity and long-term debt amounting to \$51,689,562 (\$48,592,096 as at June 30, 2018).

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

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

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

The Company is subject to regulatory requirements related to the use of funds obtained by flow-through share financing. These funds must be used for eligible exploration expenses in accordance with the *Income Tax Act of Canada* and *Taxation Act of Quebec* (see Note 19 (B)). During the year, the Company complied with all its regulatory requirements. The Company has no dividend policy.

32. SUBSEQUENT EVENTS

Sale of a royalty

On July 25, 2019, the Company sold a royalty for \$350,000.

Fayolle Property

On August 19, 2019, the Company completed the acquisition of a 100% interest in the Fayolle property from Hecla Québec Inc. ("Hecla") and Typhoon Exploration Inc. ("Typhoon"). In return, the Company issued 12 million common shares to Hecla with an additional 3.4 million common shares to be issued to Typhon over a 24-month period. In addition, the Company paid \$500,000 to Typhoon and will pay an additional \$500,000 in five months and \$150,000 in twelve months. The shares issued to Hecla and Typhoon are subject to restrictions on their transfer for periods of up to 24 months.