

**COMBINED CARVE-OUT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MONARCH MINING SPINCO
68 AVENUE DE LA GARE, BUREAU 205
SAINT-SAUVEUR (QUÉBEC) J0R 1R0
TEL. : 1-888-994-4465

The Management's Discussion and Analysis ("MD&A") is dated March 5, 2021 and is intended to help readers become familiar with the combined carve-out activities of Monarch Mining SpinCo (the "Company" or "Entity" or "SpinCo") and the highlights of its financial results. In particular, it explains its financial performance and its cash flows for the three-month and six-month periods ended December 31, 2020 and 2019 and a comparison of its statements of financial position as at December 31, 2020 and June 30, 2020.

In this MD&A, references to Fiscal 2021 are to the fiscal year beginning July 1, 2020 and ending June 30, 2021, and references to Fiscal 2020 are to the fiscal year beginning July 1, 2019 and ending June 30, 2020.

This management's discussion and analysis, prepared in accordance with National Instrument 51-102 *Continuous Disclosure Obligations*, should be read in conjunction with the SpinCo's combined carve-out financial statements for the three-month and six-month periods ended December 31, 2020 and the accompanying notes. The unaudited condensed combined carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). As a result, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

The unaudited condensed combined carve-out financial statements management report were reviewed by the Audit Committee and approved by Monarch Mining Corporation's Board of Directors on March 5, 2021. Unless otherwise indicated, all amounts presented in this MD&A are expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Some statements contained in this MD&A, especially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of the Company that are not based on historical data, are forward-looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other similar terms and expressions. These statements are based on information available at the time they are made, on assumptions and expectations by management, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section entitled Risks and uncertainties). These forward-looking statements include, but are not limited to, the Company's business objectives. The actual results for the Company could differ materially from those expressed or implied in these forward-looking statements. As such, it is recommended not to place undue reliance on forward-looking statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. Except if the applicable legislation requires it, the Company does not intend to update these forward-looking statements to reflect, in particular, new information or future events, and it is by no means committed to doing so.

DESCRIPTION OF THE COMPANY AND INTRODUCTION TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS

SpinCo is an emerging gold mining company whose objective is to continue its expansion through its large portfolio of quality projects located in the Abitibi mining camp in Québec, Canada. The SpinCo owns gold properties including the Beaufor mine, the Croinor Gold and McKenzie Break advanced projects, the Swanson exploration project, as well as the Beacon mill.

The unaudited condensed combined carve-out Financial Statements of Monarch Mining SpinCo are being prepared as part of the adopted plan of arrangement (the "Arrangement") involving Monarch Gold Corporation ("Monarch") and Yamana Gold Inc. ("Yamana") pursuant to which Yamana has ultimately acquired the Wasamac property and the Camflo property and mill through the acquisition of all of the outstanding shares of Monarch.

Under the Arrangement, Monarch was first completed a spin-out to its shareholders, through a newly-formed company, SpinCo Inc. that hold the assets and liabilities that has not been sold to Yamana, and which will comprise the following:

- i. The Beaufor mine, the McKenzie Break property, the Croinor Gold property, the Swanson property and the Beacon Gold mill and property and all assets and liabilities related to these properties (collectively the "Transferred Assets"); and
- ii. A net cash amount of \$14 million.

Accordingly, the unaudited condensed combined carve-out financial statements of SpinCo comprise the activities of the Transferred Assets prior to the closing of the Arrangement on January 21, 2021. SpinCo historically did not exist as a separate legal and reporting group and no separate financial statements were therefore prepared.

The Entity has historically incurred operating losses and cash outflows related to the operation, exploration and development of its properties. To date, the Entity has financed its activities mainly through funding provided by Monarch. The Entity's ability to ultimately achieve operating income in the future depends on the ability to develop its mining properties and achieve commercial production, and on its ability to raise additional funding to finance its operations.

The Entity believes that it has sufficient liquidity to meet its obligations over the next 12 months with the support of Monarch. In addition, under the Arrangement, the Entity have net cash of \$14 million at closing. Also, after closing of the Arrangement, the Entity's business plan is dependent on raising funds to pursue the development of its projects. There can be no assurance that the Entity will be able to obtain financing in the future, and there can be no assurance that such financing sources or initiatives will be available to the Entity or that they will be available on terms acceptable to the Entity.

In June 2019, the Entity temporarily suspended the operations of the Beaufor mine, which was placed in care and maintenance.

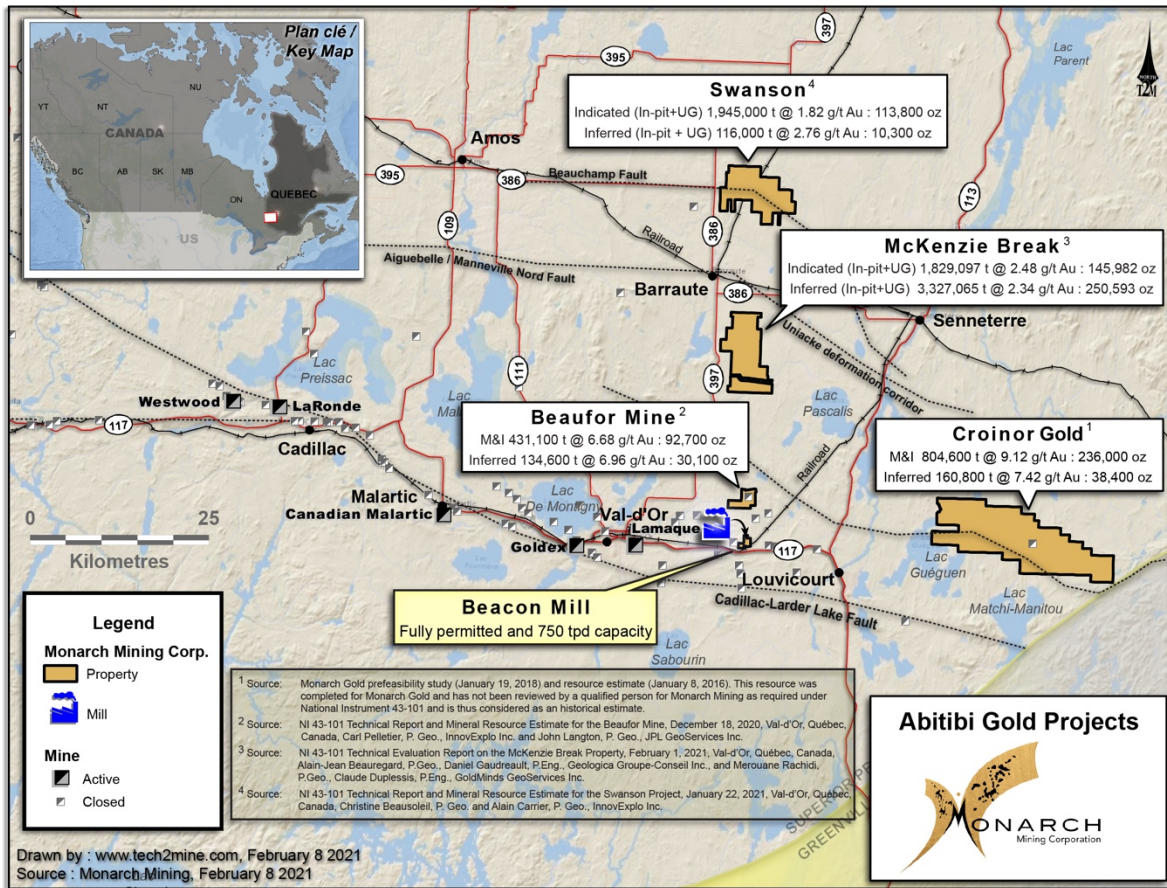
Monarch was incorporated on February 16, 2011 under the Canada Business Corporations Act. The head office address is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec, J0R 1R0.

Monarch Mining Corporation was incorporated on November 11, 2020 under the Canada Business Corporations Act to continue the activities of SpinCo upon approval of the Arrangement by the shareholders. The head office address is 68, avenue de la Gare, Suite 205, Saint-Sauveur, Québec, J0R 1R0.

Louis Martin, P.Geol., Geological Consultant, is the Company's qualified person within the meaning of NI 43-101 who has reviewed and verified the technical content of this MD&A.

The basis of preparation and measurement basis used for the unaudited condensed combined carve-out financial statements are detailed in note 2(B) to the unaudited condensed combined carve-out financial statements of SpinCo as at December 31, 2020 and for the three-month and six-month periods ended December 31, 2020 and 2019, and as at December 31, 2020 and June 30, 2020.

LOCATION OF PROPERTIES



HIGHLIGHTS AS OF DECEMBER 31, 2020

- The the balance of purchase price of the Beacon property, which includes the Beacon mill with a capacity of 750 tons per day, was fully repaid.
- On December 30, 2020, the shareholders and optionholders have approved the resolution authorizing the previously announced plan of arrangement under the *Canada Business Corporation Act*. Pursuant to the Arrangement, Yamana Gold Corporation acquired the Wasamac property and the Camflo property and mill through the acquisition of all of the outstanding common shares of Monarch (other than the common shares already owned by Yamana) for total consideration of approximately C\$200 million or C\$0.63 per Monarch share on a fully-diluted basis. Under the Arrangement, Monarch has first completed a spin-out to its Shareholders through a newly formed company, Monarch Mining Corporation, which was hold the remaining mineral properties and certain other assets and liabilities of Monarch.

RESOURCES OF PROPERTIES

	Tonnes (metric)	Grade (g/t Au)	Ounces
Croinor Gold¹			
Measured Resources	80,100	8.44	21,700
Indicated Resources	724,500	9.20	214,300
Total Measured and Indicated	804,600	9.12	236,000
Total Inferred	160,800	7.42	38,400
Beaufor mine²			
Measured Resources	121,000	5.62	21,900
Indicated Resources	310,100	7.10	70,800
Total Measured and Indicated	431,100	6.68	92,700
Total Inferred	134,600	6.96	30,100
McKenzie Break³			
<i>In-pit</i>			
Total Indicated	1,441,377	1.80	83,305
Total Inferred	2,243,562	1.44	104,038
<i>Underground</i>			
Total Indicated	387,720	5.03	62,677
Total Inferred	1,083,503	4.21	146,555
Swanson⁴			
<i>In-pit</i>			
Total Indicated	1,864,000	1.76	105,400
Total Inferred	29,000	2.46	2,300
<i>Underground</i>			
Total Indicated	91,000	2.86	8,400
Total Inferred	87,000	2.87	8,000
TOTAL COMBINED⁵			
Measured and Indicated Resources			588,482
Inferred Resources			329,393

¹ Source: Monarch Gold prefeasibility study (January 19, 2018) and resource estimate (January 8, 2016). This resource was completed for Monarch Gold and has not been reviewed by a qualified person for Monarch Mining as required under National Instrument 43-101 and is thus considered as an historical estimate.

² Source: NI 43-101 Technical Report and Mineral Resource Estimate for the Beaufor Mine, December 18, 2020, Val-d'Or, Québec, Canada, Carl Pelletier, P. Geo., InnovExplo Inc. and John Langton, P. Geo., JPL GeoServices Inc.

³ Source: NI 43-101 Technical Evaluation Report on the McKenzie Break Property, February 1, 2021, Val-d'Or, Québec, Canada, Alain-Jean Beaugard, P. Geo., Daniel Gaudreault, P. Eng., Geologica Groupe-Conseil Inc., and Merouane Rachidi, P. Geo., Claude Duplessis, P. Eng., GoldMinds GeoServices Inc.

⁴ Source: NI 43-101 Technical Report and Mineral Resource Estimate for the Swanson Project, January 22, 2021, Val-d'Or, Québec, Canada, Christine Beausoleil, P. Geo. and Alain Carrier, P. Geo., InnovExplo Inc.

⁵ Numbers may not add due to rounding.

OUTLOOK

The SpinCo's mission will be to become a gold producer, while continuing to develop its projects with strong exploration potential. A 42,500-metre drilling program is currently under way at the Beaufor mine to increase the mine's resources with a view to resuming production and exploration is ongoing at McKenzie Break to build the resource on this very promising high-grade gold project.

Furthermore, given the bull market for gold, SpinCo intends to pursue its efforts to find a partner to help put the Croinor Gold deposit into production. The material mined from Croinor Gold and Beaufor could be processed at SpinCo's fully permitted and operational Beacon mill.

MONARCH MINING SPINCO

KEY FINANCIAL DATA

<i>(In dollars)</i>	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
Revenue	–	2,342,629	–	5,502,784
Cost of sales	–	1,127,216	–	2,918,450
Gross margin	–	1,215,413	–	2,584,334
Administrative expenses	638,752	409,051	1,105,229	958,746
Care and maintenance expenses	299,375	980,298	624,308	1,576,367
Exploration expenses	902,683	–	1,994,282	–
Net loss	(2,016,068)	(41,649)	(3,761,577)	(14,758)
Cash flows from operating activities	(1,552,575)	(92,349)	(5,224,158)	(473,444)
Cash flows from financing activities	3,320,387	124,399	6,211,398	965,566
Cash flows from investing activities	(1,577,905)	(167,104)	(722,992)	(426,294)

<i>(In dollars)</i>	DECEMBER 31, 2020	JUNE 30, 2020
Cash and cash equivalents	473,720	209,472
Total assets	44,114,031	42,534,725
Non-current liabilities	8,845,448	10,557,858
Equity	33,492,992	25,440,750

RECONCILIATION OF NET LOSS TO EBITDA

<i>(In dollars)</i>	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
Net earnings (net loss)	(2,016,068)	(41,649)	(3,761,577)	(14,758)
Income and mining taxes	239,684	30,147	265,337	95,857
Finance expense	257,345	36,574	394,444	197,997
Depreciation	20,814	20,538	41,353	39,857
EBITDA ⁽¹⁾	(1,498,225)	45,610	(3,060,443)	318,953

(1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another company. The Company uses this non-IFRS measure as an indicator of the cash generated by the operations and allows investors to compare the profitability of the Company with others by cancelling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures. See the "Non-IFRS Measures" section of this MD&A.

KEY OPERATING STATISTICS

Given that the Beaufor mine was put into care and maintenance mode in June 2019, no operational statistics are presented for the 2020 and 2021 fiscal years.

Although the unaudited condensed combined carve-out financial statements of SpinCo are reported in Canadian dollars ("CA\$" or "\$"), the Entity also discloses financial and operating statistics in U.S. dollars. On a quarterly basis, the CA\$ to US\$ exchange rate is adjusted to reflect the actual quarterly rate and year-to-date rate as at the end of each quarter.

REVIEW OF FINANCIAL RESULTS**Quarter ended December 31, 2020**

No revenues were generated for the quarter ended December 31, 2020 compared to \$2.3 million for the same period a year ago. Revenues for the comparative period consist of the sale of gold that was in inventory as at June 30, 2019, as well as the sale of ounces recovered from the clean-up of the Camflo mill. Revenues for the fiscal year 2019 were generated while the Beaufor mine and the Camflo mill were in operation.

For the second quarter of Fiscal 2021, general and administrative expenses were \$0.6 million compared to \$0.4 million for the same period last year. The increase is mainly due to higher salaries and related benefits, share-based payments, offices expenses and investor relations and representation expenses.

Care and maintenance expenses for the second quarter of Fiscal 2021 totaled \$0.3 million compared to \$1.0 million for the same period in Fiscal 2020. These costs began in the first quarter of 2020 at Beaufor. The decrease in the current quarter is due to the change in the assignment of certain employees and facilities.

Exploration expenses amounted to \$0.9 million for the three-month period ended December 31, 2020, compared to \$nil for the three-month period ended December 31, 2019. These expenses are related to exploration activities at the Beaufor mine. The Company resumed exploration work in June 2020 following the CDPQ transaction completed in May 2020.

Finance expenses for the second quarter of Fiscal 2021 totaled \$0.3 million compared to \$0.1 million for the same period in Fiscal 2020. The increase in the current quarter is due to the loss on a debt settlement and the accretion expenses on a royalty buy-back option with CDPQ that started in May 2020.

In the second quarter of Fiscal 2021, a write-down of spare parts of \$0.2 million was recorded.

The Company reported a net loss of \$2.0 million for the three-month period ended December 31, 2020, compared to a net loss of \$41,649 for the corresponding period in Fiscal 2020. This \$1.96 million increase in net loss is mainly due to an increase of \$0.9 million in exploration expenses at the Beaufor mine and a decrease in gross margin of \$1.2 million due to the cessation of production activities.

Six-month period ended December 31, 2020

No revenues were generated for the six-month period ended December 31, 2020 compared to \$5.5 million a year ago. Revenues for the comparative period consist of the sale of gold that was in inventory as at June 30, 2019, as well as the sale of ounces recovered from the clean-up of the Camflo mill. Revenues for the fiscal year 2019 were generated while the Beaufor mine and the Camflo mill were in operation.

General and administrative expenses totalled \$1.1 million for the six-month period ended December 31, 2020, compared to \$1.0 million for the same period last year. The increase is mainly due to more expenses in consultants and investor relations fees.

Care and maintenance expenses for the six-month period ended December 31, 2020 totaled \$0.6 million compared to \$1.6 million for the same period a year ago. These costs began in the first quarter of 2020 at Beaufor. The decrease in the current quarter is due to the change in the assignment of certain employees and facilities.

Exploration expenses amounted to \$2.0 million for the six-month period ended December 31, 2020, compared to \$nil for the previous year. These expenses are related to exploration activities at the Beaufor mine. The Company resumed exploration work in June 2020 following the CDPQ transaction completed in May 2020.

Financial expenses increased to \$0.4 million from \$0.2 million in Fiscal 2020, mainly due to the loss on a debt settlement and the accretion expenses on a royalty buy-back option with CDPQ that started in May 2020.

The Company recorded an exchange gain of \$0.2 million related to the fluctuation of the Canadian dollar against the U.S. dollar at the balance sheet date. The balance of purchase price denominated in U.S. dollars is mainly subject to foreign currency fluctuations.

The Company reported a net loss of \$3.8 million for the six-month period ended December 31, 2020, compared to a net loss of \$14,758 for the corresponding period in Fiscal 2020. This \$3.75 million increase in net loss is mainly due to an increase of \$2.0 million in exploration expenses at the Beaufor mine and a decrease in gross margin of \$2.6 million due to the cessation of production activities.

REVIEW OF EXPLORATION AND EVALUATION ACTIVITIES

	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	YEAR ENDED JUNE 30, 2020
	\$	\$
Addition to exploration and evaluation assets:		
Salaries, supervision and consultants	191,184	515,582
Geology and geophysics	388,483	112,201
Test, sampling and prospecting	37,271	63,026
Drilling, equipment rental and other material	776,661	376,830
Lodging, meals and travel expenses	–	1,294
Addition to exploration and evaluation assets	1,393,599	1,068,933
Balance, beginning of period	14,158,758	13,089,825
Balance, end of period	15,552,357	14,158,758

McKenzie Break

McKenzie Break is a high-grade, narrow, multi-vessel, narrow-grained gold deposit hosted in the Pascalis dioritic batholith and covered with porphyry diorite and mafic and felsic volcanic rocks. In total, the McKenzie Break property now comprises a total of 134 mining claims covering a total area of 5,106.9 ha (51 km²).

Since the acquisition of the property, the Entity has carried out several drilling campaigns. The table and graph below show the best drilling results obtained from these campaigns:

Hole number	Length (m)	From (m)	To (m)	Width* (m)	Grade Au (g/t)
MK-18-205Ext	426	356.5	363.6	7.1	32.30
MK-20-255	392	300.65	315.0	14.35	13.95
MK-18-196	300	254.8	257.4	2.6	61.20
MK-19-250	426	329.0	340.0	11.0	10.50
MK-19-249	432	379.5	393.2	13.7	5.28
MK-19-241	432	363.0	365.1	2.1	26.78
MK-18-216	177	133.3	143.0	9.7	5.76
MK-20-255	392	379.0	381.0	2.0	27.15
MK-19-251	414	334.0	340.0	6.0	7.04
MK-20-253	429	351.8	359.0	7.2	5.34

*The width shown is the core length. True width is estimated to be 90-100% of the core length.

A 14,500-metre drilling program is currently underway to follow-up on these excellent results.

Beaufor Mine

The Entity holds a 100% interest in the Beaufor mine, which consists of two mining leases, one mining concession and 23 mining claims covering an area of 5.9 km². The mine is located approximately 20 kilometers northeast of the town of Val-d'Or, in the Abitibi-Est county, Province of Quebec. The Beaufor mine is an underground mine.

On June 27, 2019, production activities at the Beaufor mine were temporarily suspended and the mine was placed under care and maintenance.

On May 7, 2020, SpinCo announced an agreement with the Caisse de dépôt et placement du Québec for the sale of a 3% net smelter royalty on net smelter revenues from gold production at the Beaufor mine in consideration of \$5 million.



Since then, the Entity has undertaken one of the most important exploration programs on the Beaufor property with a total of about 270 drill holes over 42,500 metres. Exploration drilling will include several phases, including:

- Underground work in the vicinity of the mine's exploration targets (high-grade intervals and isolated resource blocks)
- Near-surface and mine targets
- Targets under the current mine bottom
- Regional exploration targets

Underground work in the vicinity of the mine's exploration targets

This initial phase represents the bulk of the exploration drilling and will focus on underground targets close to the mine, as defined by the recent 3D modeling. These holes will test zones located near historical high-grade intervals intersected in the drilling and associated with known vein structures that remain open. All of these targets are defined by high-grade intersections located in proximity to existing underground infrastructure, which requires minimal development for mining purposes. These defined targets are all located above the lowest level of mine development, at less than 900 metres in depth. Testing of these targets can easily be carried out from the available underground developments, with the majority of drill holes being less than 200 metres in length.

The second type of targets related to underground targets in the vicinity of the mine will be the follow-up of isolated resource blocks that still have significant expansion potential. These resource blocks are generally defined by a single hole along a known mineralized structure, but continuity has not been demonstrated due to a lack of nearby drilling.

Near Surface and Mine Targets

A surface drilling program in the vicinity of the mine will follow to test both high-grade targets and isolated resource blocks that cannot be adequately tested from the existing underground infrastructure. These targets are located in the vicinity of the mine and at a maximum depth of 300 metres from surface.

Targets under the current mine fund

An exploration drilling program to test the zone below the current bottom of the mine (over 900 metres deep) will be undertaken to continue testing the extension of known mineralization at depth, where mining operations prior to the temporary shutdown had ceased. Recent widely-spaced drilling below the bottom of the mine has confirmed the extension of the mineralization. Drilling will target specific zones defined by previous high-grade intersections in an area up to 230 metres below the current workings.

Regional Exploration Targets

The final phase of exploration drilling will consist of surface drilling to test regional targets defined by historical intersections and potential structures beyond the current limits of underground infrastructure.

Croinor Gold

On January 19, 2018, the Entity announced the positive results of the pre-feasibility study prepared by Innovexplo Inc. The results of the pre-feasibility study show that the Croinor project is economically viable and could become a low-cost mine. The study is also used as a basis for making a production decision since all the permits are currently held by Innovexplo Inc.

Feasibility Study Highlights :

- High return: pre-tax internal rate of return of 47.56%, net present value of \$32 million.
- Low cost of production: cash cost of production of \$818/ounce (US\$639/ounce) and overall cost of production of \$1,155/ounce (US\$902/ounce).
- Based on a gold price of US\$1,280 and a rate of 1.28 CAD/USD.
- The study does not include drilling after November 2015.

The technical report summarizing the results of the pre-feasibility study is available on the Monarch website.

It is also important to mention that the results of the 2018 drilling program totalling 26,580 metres are not part of the pre-feasibility study and could considerably improve the project's potential.

A 6,200-metre drilling program is currently underway to test high potential targets on the 151 km² property. The Entity will also analyze the various mining options in order to optimize the yield of the deposit.

Swanson

On August 3, 2018, the Entity reported an NI 43-101 pit-constrained resource of 98,100 ounces in the indicated category on the property, as well as an underground resource of 5,900 ounces in the indicated category, for a total of 104,100 ounces of gold. An analysis of the economic potential of the deposit will have to be carried out in the context of the current gold price.

FINANCIAL POSITION

<i>(In dollars)</i>	AS AT DECEMBER 31 2020	AS AT JUNE 30 2020	EXPLANATIONS OF VARIATIONS
Current assets	4,749,963	4,024,852	The increase in current assets is mainly due to sales taxes receivables and prepaid expenses.
Non-current assets	39,364,068	38,509,873	Non-current assets increased mainly due to capitalized exploration and evaluation expenses partially offset by the replacement of certain financial guarantees by an insurance bond.
Total assets	44,114,031	42,534,725	
Current liabilities	1,775,591	6,536,117	Current liabilities decreased mainly as a result of the repayment of a balance of purchase price.
Non-current liabilities	8,845,448	10,557,858	Non-current liabilities decreased mainly as a result of the repayment of a balance of purchase price.
Total liabilities	10,621,039	17,093,975	
Equity	33,492,992	25,440,750	Equity increased mainly as a result of funding by Monarch during the year.

LIQUIDITY AND SOURCES OF FINANCING

The Entity's strategy is based on achieving positive cash flows from operations to internally fund operating, capital and project development requirements. The Entity's historical activities have been financed from funding received from Monarch. Upon approval of the Arrangement, the Entity's activities will be pursued by a newly formed company, Monarch Mining Corporation, with \$14 million in cash. See section entitled, "Description of the Company and Introduction to the unaudited condensed combined carve-out Financial Statements". Material increases or decreases in the Entity's liquidity and capital resources will be substantially determined by the success or failure of the Entity's operations, exploration, and development programs, the ability to obtain equity or other sources of financing.

The Entity believes that it has sufficient liquidity to meet its obligations over the next 12 months with the support of Monarch. In addition, under the Arrangement, the Entity will have net cash of \$14 million at closing. After closing of the Arrangement, the Entity's business plan is dependent on raising funds to pursue the development of its projects. There can be no assurance that the Entity will be able to obtain financing in the future, and there can be no assurance that such financing sources or initiatives will be available to the Entity or that they will be available on terms acceptable to the Entity.

CASH FLOWS

<i>(In dollars)</i>	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
	\$	\$	\$	\$
Net cash position from (used in)				
Operating activities	(1,552,575)	(92,349)	(5,224,158)	(473,444)
Financing activities	3,320,387	124,399	6,211,398	965,566
Investing activities	(1,577,905)	(167,104)	(722,992)	(426,294)
Increase in cash and cash equivalents	189,907	49,644	264,248	65,828
Cash and cash equivalents, beginning of period	283,813	262,896	209,472	246,712
Cash and cash equivalents, end of period	473,720	312,540	473,720	312,540

Operating activities

During the quarter ended December 31, 2020, operating activities used \$1.6 million in cash flows, mainly due to the to the operating loss of \$2.0 million, partially offset \$0.1 million of loss on a debt settlement, \$0.2 million from a write-down of inventory and the increase of \$0.2 million in other working capital items.

During the six months period ended December 31, 2020, cash flows from operating activities used \$5.2 million, mainly due to the operating loss recorded at \$3.8 million and a decrease of \$1.7 million in other working capital items, partially offset by \$0.1 million of loss on a debt settlement and \$0.2 million from a write-down of inventory.

Financing activities

For the three-month period ended December 31, 2020, financing activities generated \$3.3 million in cash flows, due to a \$5.1 million from a net investment from Monarch, partially offset by \$1.8 million repayment of a balance of purchase price.

During the six months period ended December 31, 2020, financing activities generated \$6.2 million in cash flows, due to a \$12.1 million from a net investment from Monarch, partially offset by \$5.9 million repayment of a balance of purchase price.

Investing activities

During the quarter ended December 31, 2020, investing activities used \$1.6 million in cash flows, mainly due to \$1.2 million of capitalized exploration and evaluation expenses and \$0.2 million of property and equipment acquisitions.

During the six months period ended December 31, 2020, investing activities used \$0.7 million in cash flows, mainly due to \$1.5 million of capitalized exploration and evaluation expenses, partially offset by a \$1.2 million receipt of in trust deposits as the replacement made by financial guarantees with insurance bond and \$0.4 million of mining property and equipment acquisitions.

RELATED PARTY TRANSACTIONS

A) Intercompany transactions

In the normal course of business, SpinCo purchases and sells services from/to various subsidiaries or divisions of Monarch. These transactions occurred in the normal course of operations and were measured at exchange amount, which is the amount established and accepted by the parties.

MONARCH MINING SPINCO

The below includes transactions with Monarch and its group companies that are outside of the SpinCo activities. Monarch is a related party as it controlled the SpinCo activities during the periods presented. The most significant related party transactions are described below. These costs represent mainly head office labor costs and information technology services.

	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
	\$	\$	\$	\$
Allocation of corporate expenses included in administration expenses	250,000	525,000	625,000	1,050,000
	250,000	525,000	625,000	1,050,000

	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
	\$	\$	\$	\$
Milling and cleaning fees included in cost of sales	–	783,644	–	2,436,287
	–	783,644	–	2,436,287

Due to and from related parties

Due to and from related parties are in connection with normal course of operations and are generally short-term in nature.

B) Total compensation

	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
	\$	\$	\$	\$
Salaries, directors' fees, premiums and other benefits	513,877	497,362	1,262,948	1,229,928
Share-based payments	82,733	46,244	165,465	80,546
Defined contribution plan	24,064	11,254	44,977	29,448
Government plans	46,905	31,534	97,721	127,595
	667,579	586,394	1,571,111	1,467,517

C) Key management personnel compensation

Key management personnel include members of the Board of Directors and the Entity's senior executives, namely the President and Chief Executive Officer, VP Finance and Chief Financial Officer, VP Operations and Community Relations and VP Corporate Development.

Key management personnel compensation includes the following expenses:

	QUARTER ENDED DECEMBER 31, 2020	QUARTER ENDED DECEMBER 31, 2019	SIX-MONTH PERIOD ENDED DECEMBER 31, 2020	SIX-MONTH PERIOD ENDED DECEMBER 31, 2019
	\$	\$	\$	\$
Salaries, directors' fees, premiums and other benefits	137,269	192,841	485,401	374,649
Defined contribution plan	7,327	2,527	13,433	6,166
Government plans	11,469	10,109	26,321	19,166
Share-based payments	33,507	39,636	67,013	66,048
	189,572	245,113	592,168	466,029

OFF-BALANCE SHEET AGREEMENTS

The Entity does not have any off-balance sheet agreements.

COMMITMENTS AND CONTINGENCIES

The Entity had the following royalties as at December 31, 2020 and June 30, 2020:

Properties	Net smelters return (NSR) royalties
Beaufor	<ul style="list-style-type: none"> ➤ 1.0% payable after the Company has produced 100,000 ounces of gold ➤ 3.0% (1% reduction when royalties paid are greater than \$5 million and 1% redeemable for \$2.5 million until May 2025) ➤ Others
Croinor Gold	➤ 1.5%
McKenzie Break	➤ 1.5% (0.5% redeemable for \$750,000)
Swanson.....	➤ 1.5% (0.5% redeemable for \$750,000)

NON-IFRS FINANCIAL MEASURES

Throughout this document, the Entity has provided measures prepared according to IFRS as well as some non-IFRS financial performance measures. Because the non-IFRS performance measures do not have any standardized definition prescribed by IFRS, they may not be comparable to similar measures presented by other companies. The Entity provides these non-IFRS financial performance measures as they may be used by some investors to evaluate our financial performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS financial performance measures were reconciled to reported IFRS measures within the document (refer to the section "Reconciliation of net earnings (loss) to EBITDA" for a description and reconciliation of this measure not defined by IFRS).

SIGNIFICANT ACCOUNTING POLICIES

Full disclosure and a description of Entity 's significant judgments and estimates are detailed in the unaudited condensed combined carve-out financial statements for the three-month and six-month periods ended December 31, 2020 and 2019.

SIGNIFICANT JUDGMENTS AND ESTIMATES

Full disclosure and a description of Entity 's significant judgments and estimates are detailed in the unaudited condensed combined carve-out financial statements for the three-month and six-month periods ended December 31, 2020 and 2019.

FINANCIAL INSTRUMENTS

The description of the Entity's financial instruments, financial risk management and capital management are included in Notes 22 and 23 of the combined carve-out financial statements for the three months ended September 30, 2020 and 2019 and for the years ended June 2020, June 2019 and June 2018.

RISK FACTORS

As a mining company, the Entity is exposed to financial and operational risks related to the very nature of its operations. These risks could have an impact on the financial position and operating income. Therefore, an investment in Entity 's common shares should be considered a speculative investment. Purchasers or potential holders of common shares should pay particular attention to Entity 's risk factors.

For more information on risks and uncertainties, please refer to the "Risk Factors" section of Monarch Gold Corporation information circular form filed on SEDAR (www.sedar.com).

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as at the date shown in the header of this document. Additional information relating to Monarch Gold Corporation, including the technical reports mentioned herein and Monarch Gold Corporation's Annual Information Form and Proxy Circular can be found on the SEDAR website www.sedar.com.