



MONARCA MINERALS

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MONARCA MINERALS INC.

**Consolidated Financial Statements
For the Years Ended November 30, 2019 and 2018
Expressed in Canadian Dollars**

MONARCA MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2019 and 2018

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Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Monarca Minerals Inc.

Opinion

We have audited the consolidated financial statements of Monarca Minerals Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2019, November 30, 2018, and December 1, 2017, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years ended November 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2019, November 30, 2018, and December 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended November 30, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit and a working capital deficit as at November 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 risks 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
May 6, 2020

MONARCA MINERALS INC.
Consolidated Statements of Financial Position
As at November 30, 2019 and 2018
Expressed in Canadian Dollars

	Note	2019	2018 (Note 3)	2017 (Note 3)
Assets				
Current assets				
Cash		\$ 3,657	\$ 109,846	\$ 1,030,896
Amounts receivable		28,889	68,615	33,786
Prepaid expenses		14,295	5,810	70,036
Total current assets		46,841	184,271	1,134,718
Non-current assets				
Equipment	5	12,951	14,114	16,722
Total assets		\$ 59,792	\$ 198,385	\$ 1,151,440
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	11,16	\$ 1,474,673	\$ 804,865	590,375
Interest payable	10,11 (a)(c)	589,215	436,440	283,665
Promissory notes	9	400,000	400,000	400,000
Current portion of long-term debt	10	727,500	727,500	727,500
Total liabilities		3,191,388	2,368,805	2,001,540
Shareholders' equity (deficiency)				
Share capital	7(a)	25,775,730	25,775,730	25,768,357
Share purchase warrants reserve	7(c)	857,647	857,647	852,021
Share-based payment reserve	8	261,788	261,788	261,788
Equity conversion option	10	39,370	39,370	39,370
Accumulated deficit		(30,066,131)	(29,104,955)	(27,771,636)
Total shareholders' equity (deficiency)		(3,131,596)	(2,170,420)	(850,100)
Total liabilities and shareholders' equity (deficiency)		\$ 59,792	\$ 198,385	\$ 1,151,440

Nature of operations and going concern (Note 1)
 Commitments and contingencies (Notes 6 and 15)
 Subsequent event (Note 17)

Approved on behalf of the Board:

"Frank Högel"

Director

"Carlos Espinosa"

Director

MONARCA MINERALS INC.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended November 30, 2019 and 2018
Expressed in Canadian Dollars

	Note	2019	2018
			(Note 3)
Administrative and exploration expenses			
Accounting and legal		\$ 125,125	\$ 97,367
Amortization	5	1,163	2,251
Business development		1,350	4,209
Exploration expenses		224,218	551,380
Insurance		9,180	9,180
Investor relations		6,086	42,949
Management fees and salaries		169,244	251,437
Office expenses		72	-
Regulatory and filing fees		9,935	9,680
		<hr/>	<hr/>
Loss before undernoted items		(546,373)	(968,453)
		<hr/>	<hr/>
Other income (expenses)			
Other income/(loss)		(134,690)	1,055
Interest and bank charges		(165,512)	(196,978)
Gain/(loss) on foreign exchange		24,399	(39,943)
		<hr/>	<hr/>
Total other income (expenses)		(275,803)	(235,866)
		<hr/>	<hr/>
(Loss) for the year before income taxes		\$ (822,176)	\$ (1,204,319)
Current income tax (expense)	16(a)	(139,000)	(129,000)
		<hr/>	<hr/>
Net loss and comprehensive loss for the year		\$ (961,176)	\$ (1,333,319)
		<hr/>	<hr/>
Basic and diluted loss per share		\$ (0.0193)	\$ (0.0269)
Weighted average number of shares outstanding - basic and diluted (Note 7 (a)(i))		49,709,306	49,609,306
		<hr/>	<hr/>

See accompanying notes to the consolidated financial statements.

MONARCA MINERALS INC.

**Consolidated Statements of Changes in Shareholders' Equity(deficiency)
For the Years Ended November 30, 2019 and 2018
Expressed in Canadian Dollars**

	Share Capital		Shares to be issued	Share Purchase Warrants Reserve	Share- Based Payments Reserve	Equity Conversion Option	Accumulated Deficit	Total
	Number	Amount \$						
Balance, November 30, 2017	49,609,306	25,768,357	-	852,021	261,788	39,370	(27,771,636) (Note 3)	(850,100)
Share issue (note 7(a)(vi))	100,000	7,373	-	-	-	-	-	7,373
Warrants granted (notes 7(a)(vi))	-	-	-	5,626	-	-	-	5,626
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(1,333,319)	(1,333,319)
Balance, November 30, 2018	49,709,306	25,775,730	-	857,647	261,788	39,370	(29,104,955)	(2,170,420)
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(961,176)	(961,176)
Balance, November 30, 2019	49,709,306	25,775,730	-	857,647	261,788	39,370	(30,066,131)	(3,131,596)

See accompanying notes to the consolidated financial statements.

MONARCA MINERALS INC.
Consolidated Statements of Cash Flows
For the Years Ended November 30, 2019 and 2018
Expressed in Canadian Dollars

	Note	2019	2018
Cash provided by (used in):			(Note 3)
Operating			
Loss for the year		\$ (961,176)	\$ (1,333,319)
Items not affecting cash:			
Amortization	5	1,163	2,251
		(960,013)	(1,331,068)
Changes in non-cash operating accounts:			
Amounts receivable		39,726	(34,829)
Prepaid expenses		(8,485)	64,226
Accounts payable and accrued liabilities		822,583	366,947
Net cash flows from operating activities		(106,189)	(934,049)
Financing			
Issuance of shares and warrants	7c	-	12,999
Net cash flows from financing activities		-	12,999
(Decrease) in cash		(106,189)	(921,050)
Cash, beginning of year		109,846	1,030,896
Cash, end of year		\$ 3,657	\$ 109,846

See accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

Monarca Minerals Inc. (the "Company" or "Monarca"), was incorporated on March 22, 1995 under the Canada Business Corporations Act. The Company's shares are traded on the TSX Venture Exchange under the trading symbol MMN. The Company is in the process of exploring and evaluating its exploration and evaluation property interests in Mexico. The address of the Company's corporate office and principal place of business is 390 Bay Street, Suite 806, Toronto, Ontario, Canada.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company presently has no proven reserves, and on the basis of information to date, has not yet determined whether any of its exploration and evaluation property interests contain economically recoverable ore resources. The amounts recorded as exploration and evaluation properties represent deferred exploration costs incurred to date and do not necessarily represent present or future values. The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake expanded exploration and development of its exploration and evaluation properties and to ultimately realize profits through future production or sale of the exploration and evaluation properties.

At November 30, 2019, the Company had a working capital deficit of \$3,144,547 (November 30, 2018 - \$2,184,534) and had incurred losses since inception, and at November 30, 2019, had an accumulated deficit of \$30,066,131 (November 30, 2018 - \$29,104,955). In addition, the Company's long-term debt, secured by certain exploration property interests, was in default as at November 30, 2019 and 2018 (see Note 10). The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. They do not reflect adjustments to the carrying values of assets and liabilities which may be necessary should the Company be unable to do so and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements. Such adjustments could be material. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended November 30, 2019 and 2018.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

These consolidated financial statements of the Company for the years ended November 30, 2019 and 2018 were approved and authorized for issue by the Board of Directors on May 6, 2020.

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Changes in Accounting Policies

During the year ended November 30, 2019, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The Company also applied this change in accounting policy to the underlying policies of its associates, resulting in additional changes. The consolidated financial statements for the year ended November 30, 2018 have been restated to reflect adjustments made as a result of this change in accounting policy.

The following is a reconciliation of the Company's consolidated financial statements as at November 30, 2018 and December 1, 2017.

MONARCA MINERALS INC.
Notes to the Consolidated Financial Statements
As at November 30, 2019 and 2018
Expressed in Canadian Dollars

3. Changes in Accounting Policies - continued

Consolidated Statement of Financial Position

	November 30, 2018 as previously reported	Adjustment	November 30, 2018 as restated
Assets			
Current assets			
Cash	\$ 109,846	\$ -	\$ 109,846
Amounts receivable	68,615	-	68,615
Prepaid expenses	5,810	-	5,810
Total current assets	184,271	-	184,271
Non-current assets			
Equipment	14,114	-	14,114
Exploration and evaluation properties	14,533,573	- 14,533,573	-
Total non-current assets	14,547,687	- 14,533,573	14,114
Total assets	14,731,958	- 14,533,573	198,385
Liabilities and shareholders' equity (deficiency)			
Current liabilities			
Accounts payable and accrued liabilities	\$ 804,865	\$ -	\$ 804,865
Interest payable	436,440.00	-	436,440.00
Promissory notes	400,000.00	-	400,000.00
Current portion of long-term debt	727,500.00	-	727,500.00
Total current liabilities	2,368,805.00	-	2,368,805.00
Long-term liabilities			
Deferred tax liability	2,901,000.00	(2,901,000.00)	-
Total liabilities	5,269,805.00	(2,901,000.00)	2,368,805.00
Shareholders' equity (deficiency)			
Share capital	25,775,730.00	-	25,775,730.00
Share purchase warrants reserve	857,647.00	-	857,647.00
Share-based payment reserve	261,788.00	-	261,788.00
Equity conversion option	39,370.00	-	39,370.00
Accumulated deficit	(17,472,382.00)	(11,632,573.00)	(29,104,955.00)
Total shareholders' equity	9,462,153.00	(11,632,573.00)	(2,170,420.00)
Total liabilities and shareholder's equity (deficiency)	\$ 14,731,958	-\$ 11,632,573	\$ 198,385

MONARCA MINERALS INC.
Notes to the Consolidated Financial Statements
As at November 30, 2019 and 2018
Expressed in Canadian Dollars

3. Changes in Accounting Policies - continued

Consolidated Statement of Financial Position

	December 1, 2017 as previously reported	Adjustment	December 1, 2017 as restated
Assets			
Current assets			
Cash	\$ 1,030,896	\$ -	\$ 1,030,896
Amounts receivable	33,786	-	33,786
Prepaid expenses	70,036	-	70,036
Total current assets	1,134,718	-	1,134,718
Non-current assets			
Equipment	16,722	-	16,722
Exploration and evaluation properties	13,829,418	(13,829,418)	-
Total non-current assets	13,846,140	(13,829,418)	16,722
Total assets	14,980,858	(13,829,418)	1,151,440
Liabilities and shareholders' equity (deficiency)			
Current liabilities			
Accounts payable and accrued liabilities	\$ 590,375	\$ -	\$ 590,375
Interest payable	283,665	-	283,665
Promissory notes	400,000	-	400,000
Current portion of long-term debt	727,500	-	727,500
Total current liabilities	2,001,540	-	2,001,540
Long-term liabilities			
Deferred tax liability	2,766,000	2,766,000	-
Total liabilities	4,767,540	2,766,000	2,001,540
Shareholders' equity (deficiency)			
Share capital	25,768,357	-	25,768,357
Share purchase warrants reserve	852,021	-	852,021
Share-based payment reserve	261,788	-	261,788
Equity conversion option	39,370	-	39,370
Accumulated deficit	(16,708,218)	11,063,418	(27,771,636)
Total shareholders' equity	10,213,318	11,063,418	(850,100)
Total liabilities and shareholder's equity (deficiency)	\$ 14,980,858	\$ 11,063,418	\$ 1,151,440

MONARCA MINERALS INC.
Notes to the Consolidated Financial Statements
As at November 30, 2019 and 2018
Expressed in Canadian Dollars

3. Changes in Accounting Policies – continued

Consolidated Statement of Operations and Comprehensive Loss

	For the year ended November 30, 2018 as previously reported	Adjustment	For the year ended November 30, 2018 as restated
Administrative and exploration expenses			
Exploration expenses	\$ -	\$ 551,380	\$ 551,380
Accounting and legal	97,367	-	97,367
Amortization	2,251	-	2,251
Business development	4,209	-	4,209
Insurance	9,180	-	9,180
Investor relations	42,949	-	42,949
Management fees and salaries	251,437	-	251,437
Office expenses	-	-	-
Regulatory and filing fees	9,680	-	9,680
Stock-based compensation	-	-	-
Loss before the undernoted items	417,073		968,453
Other income(expenses)			
Other income/(loss)	(1,055)	-	(1,055)
Interest and bank charges	44,203	152,775	196,978
Loss on foreign exchange	39,943	-	39,943
Flow-through share premium	-	-	-
Loss before income tax expenses	500,164	704,155	1,204,319
Current income tax expense	129,000	-	129,000
Deferred income tax expenses	135,000	(135,000)	-
Net loss and comprehensive loss for the year	\$ 764,164	\$ 569,155	\$ 1,333,319
Weighted average number of shares outstanding - basic and diluted	49,609,306		49,609,306
Loss per share	\$ 0.0154		\$ 0.0269

MONARCA MINERALS INC.
Notes to the Consolidated Financial Statements
As at November 30, 2019 and 2018
Expressed in Canadian Dollars

3. Changes in Accounting Policies - continued

Consolidated Statement of Cash Flows

	For the year ended November 30, 2018 as previously reported	Adjustment	For the year ended November 30, 2018 as restated
Operating activities			
Net loss for the year	\$ (764,164)	\$ (569,155)	\$ (1,333,319)
Items not affecting cash:			
Amortization of equipment	2,251	-	2,251
Deferred income tax expense	135,000	(135,000)	-
Change in non-cash working capital items:			
Amounts receivable	(34,829)	-	(34,829)
Prepaid expenses	64,226	-	64,226
Accounts payable and accrued liabilities	227,103	140,519	367,622
Net cash used in operating activities	(370,413)	(563,636)	(934,049)
Investing activities			
Exploration and evaluation properties	(563,636)	563,636	-
	(563,636)	563,636	-
Financing activities			
Issuance of shares and warrants	12,999	-	12,999
Net cash provided by financing activities	12,999	-	12,999
Change in cash	(921,050)	-	(921,050)
Cash, beginning of year	1,030,896	-	1,030,896
Cash, end of year	\$ 109,846	\$ -	\$ 109,846

Accounting changes

During the year ended November 30, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2, IAS 28, and IFRIC 22. These new standards did not have any material impact on the Company's financial statements.

Effective October 1, 2018, the Company adopted IFRS 9, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivables and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between a hedged item and a hedging instrument.

3. Changes in Accounting Policies - continued

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Interest payable	Other financial liabilities	Amortized cost
Promissory notes	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended November 30, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments can be found at Note 4.

4. Significant Accounting Policies

These annual consolidated financial statements have been prepared by the Company in accordance with IFRS, using the following significant accounting policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- Oremexico S.A. de C.V., ("Oremexico"), incorporated under the federal laws of Mexico on July 27, 2007;
- Monarca Mining S de R.L de C.V ("Monarca Mining"), incorporated under the federal laws of Mexico and acquired September 26, 2007.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(b) Critical Judgments and Estimation Uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

4. Significant Accounting Policies – continued

(b) Critical Judgments and Estimation Uncertainties - continued

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

i. Assets' Carrying Values and Impairment Charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

ii. Estimation of Decommissioning and Restoration Costs and the Timing of Expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

iii. Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

iv. Share-Based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

v. Commitments and Contingencies

Refer to Notes 1, 6, 9, 10 and 15.

4. Significant Accounting Policies – continued

(c) Equipment

Equipment is stated at cost less accumulated amortization and any accumulated impairment losses. Where an item of equipment is comprised of major components having different useful lives, they are accounted for as separate items of equipment.

The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of operations.

Expenditures to replace a component of an item of equipment that is accounted for separately are capitalized with the existing carrying amount of the component written off. Other subsequent expenditures are capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in the consolidated statement of operations as incurred.

Amortization is computed using the following methods over the useful lives of the assets at the following rates:

Asset	Basis	Rate
Computer equipment	declining balance	30%
Office furniture and equipment	declining balance	20%
Software	declining balance	100%
Leasehold improvements	straight-line	7 years
Site vehicles	declining balance	30%

(d) Exploration and Evaluation Properties

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as exploration expenses until it has been established that a mineral property is commercially viable. Refer to Note 3.

(e) Impairment

At the end of each reporting period the carrying amounts of the Company's non-current assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

4. Significant Accounting Policies – continued

(e) Impairment - continued

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of operations.

(f) Restoration, Rehabilitation and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in operations.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding asset, except where a reduction in costs is greater than the carrying amount of the related assets, in which case the asset is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

As at November 30, 2019 and 2018, the Company has no material restoration, rehabilitation or environmental obligations.

(g) Income Taxes

Income tax on the earnings or loss for the periods presented comprises current and deferred tax. Income tax is recognized in operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date applicable to the period of expected realization or settlement.

4. Significant Accounting Policies – continued

(g) Income Taxes – continued

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(h) Share-Based Payments

The Company has a stock option plan as described in Note 7(b). The fair value of options issued to directors, officers and employees is recognized as an expense over their vesting period, with a corresponding increase in share-based payments reserve. The fair value of broker warrants issued to agents in conjunction with public offerings is charged to share issue costs with an offsetting amount recorded to share purchase warrants reserve.

When options are exercised, the proceeds received, together with any amount in share-based payments reserve are credited to share capital.

Fair value is estimated using the Black-Scholes option pricing model that takes into account, as of the grant date, the exercise price, the estimated expected life of the option, the current price of the underlying stock and its estimated expected volatility, estimated expected dividends on the stock and the risk-free interest rate over the estimated expected life of the option. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

For share-based payments granted to non-employees, the Company measures the goods and services received directly at their fair value, unless that fair value cannot be estimated reliably, in which case they are also measured using the fair value of the equity instruments granted.

(i) Loss per Share

Basic loss per common share has been computed by dividing the loss applicable to common shareholders by the weighted-average number of common shares outstanding during the representative periods. Diluted loss per common share is determined whereby the deemed proceeds on the exercise of share options and other dilutive instruments are considered to be used to reacquire common shares at the average price for the period with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease the loss per share. For the periods presented, all convertible instruments, options and warrants were excluded from the calculation of diluted loss per share because they were anti-dilutive.

(j) Foreign Currency Translation

The financial statements of the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company and its subsidiaries is the Canadian dollar. The presentation currency of the Company is the Canadian dollar.

4. Significant Accounting Policies – continued

(j) Foreign Currency Translation - continued

The financial statements of the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company and its subsidiaries is the Canadian dollar. The presentation currency of the Company is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the consolidated statement of operations.

(k) Financial Instruments

Financial Assets and Liabilities

Accounting policy under IFRS 9 applicable from December 1, 2018

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement- financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss. The Company’s cash and amounts receivable are recorded at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of earnings (loss). The Company does not measure any financial assets at FVPL.

4. Significant Accounting Policies – continued

(k) Financial Instruments - continued

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of earnings (loss) when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. Financial liabilities include accounts payable and accrued liabilities, interest payable, promissory notes and current portion of long-term debt. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

4. Significant Accounting Policies – continued

(k) Financial Instruments - continued

Accounting policy under IAS 39 applicable prior to December 1, 2018

Upon initial recognition, all financial instruments are measured on the consolidated statement of financial position at fair value. Subsequent measurement depends on the initial classification of the instrument.

Financial assets

Upon initial recognition, all financial instruments are measured on the consolidated statement of financial position at fair value. Subsequent measurement depends on the initial classification of the instrument. The Company classifies its financial assets in the following categories: loans and receivables and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of cash and amounts receivable.

Amounts receivable are classified as loans and receivables and are initially recorded at the fair value of the amount expected to be received and subsequently measured at amortized cost less any provision for impairment. Individual significant receivables are considered for recoverability when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations. The Company has no financial instruments classified as fair value through profit or loss.

Financial liabilities

The Company classifies all of its financial liabilities as other financial liabilities. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, interest payable, promissory notes and current portion of long-term debt.

4. Significant Accounting Policies – continued

(k) Financial Instruments - continued

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(l) Share Issue Costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

(m) Investments in Associated Company

Investments in companies over which the Company has or is deemed to have significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income or losses of such investments is included in the consolidated statement of operations. When there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

(n) Compound Financial Instruments

Compound financial instruments comprise convertible debentures that can be converted into common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

4. Significant Accounting Policies – continued

(o) Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after December 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

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5. Equipment

	Computer Equipment	Office Furniture and Equipment	Software	Leasehold Improvements	Site Vehicles	Total
Cost, November 30, 2017	\$ 10,477	\$ 21,542	\$ 17,855	\$ 13,858	\$ 27,856	\$ 91,588
Additions	-	-	-	-	-	-
Disposals	-	-	(357)	-	-	(357)
Cost, November 30, 2018	\$ 10,477	\$ 21,542	\$ 17,498	\$ 13,858	\$ 27,856	\$ 91,231
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost, November 30, 2019	\$ 10,477	\$ 21,542	\$ 17,498	\$ 13,858	\$ 27,856	\$ 91,231
Accumulated Amortization, November 30, 2017	\$ (10,477)	\$ (21,542)	\$ (11,713)	\$ (5,665)	\$ (25,469)	\$ (74,866)
Charge for the year	-	-	(209)	(359)	(1,683)	(2,251)
Accumulated Amortization, November 30, 2018	\$ (10,477)	\$ (21,542)	\$ (11,922)	\$ (6,024)	\$ (27,152)	\$ (77,117)
Charge for the year	-	-	(188)	(271)	(704)	(1,163)
Accumulated Amortization, November 30, 2019	\$ (10,477)	\$ (21,542)	\$ (12,110)	\$ (6,295)	\$ (27,856)	\$ (78,280)
Net book value, November 30, 2018	\$ -	\$ -	\$ 5,576	\$ 7,834	\$ 704	\$ 14,114
Net book value, November 30, 2019	\$ -	\$ -	\$ 5,388	\$ 7,563	\$ -	\$ 12,951

6. Exploration and Evaluation Properties

(a) Tejamen Property, State of Durango

Tejamen is located northwest of Durango, the capital of the State of Durango, Mexico, and consists of certain mineral concessions.

Monarca owns 100% of the mineral rights at Tejamen. In 2007, the Company's surface access rights expired. Following a process that commenced in 2009, the Mexican government awarded the surface rights to the local Ejido (a type of community) of Tejamen in 2012.

The property has been pledged as security for the long-term debt of the Company discussed in Note 10.

(b) San Lucas Property, State of Durango

The San Lucas Property ("San Lucas"), located north of the city of Durango, Durango State, Mexico and consists of certain mineral concessions.

6. Exploration and Evaluation Properties - continued

(c) El Sol Property

The Company owns a 100% interest in the El Sol property located in Durango State, Mexico.

(d) San Jose Property

On June 10, 2019, the Company signed an option agreement pursuant to which the Company was granted the option to acquire a 100% interest in certain claims located in Chihuahua, Mexico. The Company was granted the right to evaluate and explore the property for a period of two years upon signing the agreement and can acquire 100% interest at the end of this period in exchange for aggregate payments of \$115,000 within the two-year period as follows:

- i. Payment of US\$5,000 (paid);
- ii. Payment of US\$50,000 on or before June 10, 2020; and
- iii. Payment of US\$60,000 on or before June 10, 2021

The Company can also exercise the option at anytime prior to June 10, 2020 through the aggregate payment of \$115,000 USD.

7. Share Capital

(a) Common Shares

Authorized: Unlimited number of common shares, without par value
 Issued and outstanding common shares:

	Number		Amount
Balance November 30, 2017	49,609,306	\$	25,768,357
Share issue (note 7a ii, iii, iv)	100,000		7,373
Balance November 30, 2018 and 2019	49,709,306		25,775,730

- i. On December 1, 2017, 100,000 units were issued for consideration of \$12,999 at \$0.13 per unit. Each unit was composed of one common share and one warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.18 for a thirty-six month period commencing at the date of issuance. The fair value of the warrants was estimated at \$5,626 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 140% risk-free interest rate of 0.71% and an expected life of 3 years.

(b) Share Purchase Options

The Company has a 10% rolling share purchase option plan (the "Plan") whereby options may not exceed 10% of the total number of shares issued and outstanding of the Company from time to time on a non-diluted basis. Options granted under the Plan have an exercise price equal to the quoted market price of the Company's shares and vest at the discretion of the Board.

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7. Share Capital - continued

(b) Share Purchase Options - continued

A summary of the status of the Company's stock option plan for the years ended November 30, 2019 and November 30, 2018 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, November 30, 2017	2,075,000	0.14
Issued	-	-
Balance, November 30, 2018	2,075,000	0.14
Issued	-	-
Balance November 30, 2019	2,075,000	0.14

The weighted average remaining contractual live of the options as at November 30, 2019 is 2.5 years (2018 – 3.5 years).

(c) Share Purchase Warrants Reserve

Transactions involving the Company's share purchase warrants have been summarized as follows:

	Number of warrants	Grant Date Fair Value -net of issue costs (\$)	Weighted Average Exercise Price
Balance, November 30, 2017	17,373,322	852,021	0.18
Expired	-	-	-
Granted (note 7vi)	100,000	5,626	0.13
Balance, November 30, 2018	17,473,322	857,647	0.18
Expired	-	-	-
Granted	-	-	-
Balance, November 30, 2019	17,473,322	857,647	0.18

The following warrants are outstanding at November 30, 2019:

Number of Warrants	Exercise Price (\$)	Expiry Date
13,232,182	0.18	May 9, 2020
691,563	0.13	May 9, 2020
3,340,000	0.18	July 19, 2020
209,577	0.13	July 19, 2020
17,473,322		

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8. Share-Based Payment Reserve

Transactions involving the Company's share-based payments have been summarized as follows:

	Year Ended November 30, 2019	Year Ended November 30, 2018
Balance, beginning of year	\$ 261,788	\$ 261,788
Options issued (note 7b)	-	-
Balance, end of year	\$ 261,788	\$ 261,788

9. Promissory Notes

During 2016 and 2017, the Company received \$400,000 from a company controlled by a Director of the Company. The loans are unsecured, bear interest at 5% and are due on demand. On May 12, 2017, the Company repaid \$240,000 and accrued interest of \$10,659 owing to a director of the Company and on May 23, 2017 repaid \$25,000 of loans and accrued interest of \$935 owing to a company controlled by a Director of the Company.

10. Long-Term Debt

On October 9, 2012, the Company closed a convertible debenture financing for gross proceeds of \$727,500 through the issue of 72.75 units with each unit consisting of \$10,000 in convertible debentures and 100,000 common share purchase warrants, at a purchase price of \$10,000 per unit. Each warrant is exercisable into one common share of the Company at a price of \$0.10, expiring five years from the date of issue.

The debentures are convertible into shares at a price of \$0.10 per common share at the option of the holder. If the average closing price of the Company's shares exceeds \$0.35 for every trading day for 120 consecutive trading days (with the 120th day referred to as the "Triggering Date"), then, (i) the Company shall cease to have an obligation to pay any interest that accrues after the Triggering Date and, (ii) before the first anniversary of the Triggering Date, the holder must convert.

The debentures bear interest at 16% per year; 8% is payable in cash and, at the option of the Company, 8% is payable in shares. Interest is payable annually on October 15th of each year. Upon the occurrence of a default the interest rate shall increase to 21% per annum.

On or after 30 months from issuance, the holders may redeem their debentures for 150% of the principal amount. In order to redeem the debentures, the holders must deliver to the Company the number of common shares equal to the result of the principal amount of the holders' debenture multiplied by 10. These shares are to be cancelled by the Company.

The debentures matured on October 9, 2017. The debentures remain outstanding as at November 30, 2019.

The debentures were initially accounted for as a compound instrument and classified as a liability, with the exception of the portion relating to the conversion feature of \$72,750 (\$39,370 after taxes and costs of issuance) which was credited to equity. The estimated fair value of the warrants included in the units was also credited to equity. This resulted in the carrying value of the debentures being less than their face value. The discount was being accreted over 30 months (i.e., up to the date that the debentures become redeemable at the option of the holder), utilizing the effective interest rate method at a 53% discount rate.

10. Long-Term Debt – continued

Interest for the year-ended November 30, 2019 totaled \$152,775 (2018 - \$152,775).

The loan was considered to be in default as at November 30, 2019 and as at November 30, 2018 for failure to meet certain conditions as per the terms of the loan agreement. As a result, the loan has been reclassified to current liabilities. See Note 1.

During 2019, interest of \$152,775 (2018 - \$152,775) was incurred of which \$nil (2018 - \$nil) was paid in cash. Included in interest payable on the consolidated statement of financial position as at November 30, 2019 is \$589,215 relating to this debt (2018 - \$436,440).

11. Related Party Transactions

During the years ended November 30, 2019 and 2018, the Company entered into the following transactions with related parties that are not subsidiaries of the Company, and are not disclosed elsewhere in these consolidated financial statements.

- (a) Key management includes the Executive Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, the Vice President of Exploration, and the Directors. During the year ended November 30, 2019, the cash compensation paid or payable to key management for services was \$232,244 (2018 – \$226,655). Included in accounts payable and accrued liabilities at November 30, 2019 is \$263,071 (November 30, 2018 - \$14,808) due to Directors and Officers. This amount is unsecured, non-interest bearing and has no specific terms of repayment. Stock based compensation for the year ended November 30, 2019 was \$nil (2018 - \$nil).
- (b) Companies controlled by a director of the Company hold \$592,500 of the long-term debt as at November 30, 2019 and 2018. During the year ended November 30, 2019, interest of \$124,425 (2018 - \$100,800) was accrued on the long-term debt payable to these companies and as at November 30, 2019, \$479,876 (2018 - \$287,960) is included in interest payable on the consolidated statement of financial position. This amount is unsecured, bears interest at 21% and is due on demand.
- (c) During the year ended November 30, 2019, interest accrued on the promissory notes (Note 9) totaled approximately \$20,164 (2018 - \$20,164). Included in interest payable on the consolidated statement of financial position as at November 30, 2019 is \$106,295 (2018 - \$86,130) related to this interest. The interest is payable to companies controlled by a director of the Company. This amount is unsecured, bears interest at 5% and is due on demand.
- (d) During the year ended November 30, 2019, legal fees were incurred of \$3,821 (2018 - \$10,728) with a law firm of which a partner is a director of the Company. This amount is included in cost of share issue within equity, or as accounting and legal fees on the consolidated statement of operations. Included in accounts payable and accrued liabilities at November 30, 2019 is \$4,315 (2018 - \$nil) relating to these fees. This amount is unsecured, non-interest bearing and has no specific terms of repayment.
- (e) See Notes 9 and 10.

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As at November 30, 2019 and 2018
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12. Segmented Information

The Company operates in a single industry segment. Assets by geographic location are as follows:

	November 30, 2019	November 30, 2018
Mexico	28,724	990,495
Canada	16,319	120,954

13. Management of Capital Risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity, as well as the cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company has not changed its approach to capital management during fiscal 2019 or 2018. The Company and its subsidiaries are not subject to any external capital restrictions. The Company expects that it will be necessary to raise additional capital during the current fiscal year to meet its budgeted exploration and development plans and fund operations.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of November 30, 2019, and 2018, the Company was not compliant with the requirement. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

14. Financial Risk Management

Fair Value Hierarchy and Liquidity Risk Disclosure:

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At November 30, 2019 and 2018, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

14. Financial Risk Management - continued

The fair value of cash, amounts receivable, accounts payable and accrued liabilities, interest payable, promissory notes and current portion of long-term debt approximate their carrying value due to their short-term to maturity.

The Company is exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk, and price risk. The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during fiscal 2019 and 2018.

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its expenses are incurred in Mexican Pesos. A significant change in the currency exchange rates between the Canadian dollar relative to the Mexican Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At November 30, 2019 and 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos ("MP\$"):

	2019		2018	
Cash	MP\$	26,520	MP\$	167,560
Amounts receivable and prepaid expenses		1,748,979		799,991
Accounts payable and accrued liabilities		(1,658,416)		(8,559,683)
Total	MP\$	117,083	MP\$	(7,592,132)
Canadian dollar equivalent	CAD\$	7,938	CAD\$	(496,829)

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The majority of the Company's cash is held through large Canadian financial institutions. The Company is also exposed to credit risk on its amounts receivable, which are unsecured. The Company considers the risk of loss to be low. There have been no significant changes to how management manages credit risk during 2019 and 2018.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable, accrued liabilities, interest payable, promissory notes and current portion of long-term debt are due within the current operating period.

14. Financial Risk Management - continued

(c) Liquidity Risk - continued

The Company's expected sources of cash flow in the upcoming year are equity financings. The Company will require additional cash to finance operations. There have been no changes to how management manages liquidity risk during 2019 and 2018.

(d) Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has cash balances maintained in Canada. The Company's current policy is to invest excess cash in GICs issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. The Company's interest bearing debt is at a fixed interest rate and is therefore not impacted by changes in interest rates.

(e) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not actively manage this risk as it is considered a low risk area given the Company is not a producing entity.

(f) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

- Based on the net exposures as at November 30, 2019 (as seen in Note 14(a)), and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would not result in a material change to the Company's loss.
- Price risk is remote since the Company is not a producing entity.
- A change in interest rates of 1% would result in a corresponding change in net loss for the year of approximately \$36 based on the cash balance at November 30, 2019.

15. Commitments and Contingencies

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Consulting Contracts

The Company has granted a consultant a silver purchase option whereby the consultant may purchase 100,000 ounces of silver per year at a price of USD \$27.50 per ounce for the first five years of production at any producing mine of the Company.

15. Commitments and Contingencies - continued

Legal Proceedings

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the normal course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. As at November 30, 2019 and 2018, no amounts have been accrued related to such matters.

The Company has discontinued mining operations in various jurisdictions and has written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor or indemnifier, is not determinable, nor expected to be material, and no amount has been provided for in these consolidated financial statements.

Exploration and Evaluation Properties

In order to maintain the Company's mineral concessions and titles in good standing the Company is required to pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum annual commitments of approximately \$35,000 are due within one year.

16. Income Taxes

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2018 – 26.5%) were as follows:

	2019	2018
Weighted average statutory income tax rate	26.5%	26.5%
(Loss) income before income taxes	\$ (822,176)	\$ (1,204,319)
Expected income tax (recovery) expense at statutory rates	(218,000)	(319,000)
Adjustment to expected income tax benefit:		
Non-deductible items for tax purposes	-	-
Other	(8,000)	106,000
Benefit of tax losses not recognized	355,000	342,000
Total tax provision for the year	\$ 139,000	\$ 129,000

(b) Deferred Income Tax Balances

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

	2019	2018
Deferred income tax assets:		
Non-capital loss carry-forwards	\$ 13,502,000	\$ 12,241,000
Share issuance costs	40,000	60,000
Capital loss	27,000	27,000
Total	\$ 13,569,000	\$ 12,328,000

16. Income Taxes - continued

(c) Non-Capital Losses

The Company has non-capital losses available for income tax purposes in Canada totaling approximately \$13,502,000 which may be carried forward to reduce future year's taxable income. These losses will expire at different stages up to and including 2039:

Year of Expiry	Amount
2026	\$ 602,000
2027	1,261,000
2028	1,285,000
2029	1,522,000
2030	1,731,000
2031	495,000
2032	1,508,000
2033	1,653,000
2034	630,000
2035	412,000
2036	259,000
2037	729,000
2038	572,000
2039	843,000
	\$ 13,502,000

17. Subsequent Event

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.