



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve months ended September 30, 2019 and 2018

(Expressed in US dollars)

(Unaudited)

Notice to Reader

These condensed consolidated interim financial statements of Majestic Gold Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

Majestic Gold Corp.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - expressed in US dollars)

		September 30, 2019 - \$ -	September 30, 2018 - \$ -
	<i>Note</i>		
ASSETS			
Current assets			
Cash	4	21,814,635	18,842,863
Receivables	5	1,849,155	517,542
Deposits and prepaid expenses	6	42,337	528,707
Inventory	7	4,946,815	3,117,950
Restricted cash	10	1,400,894	3,932,134
		30,053,836	26,939,196
Reclamation deposits	6	1,375,799	1,427,168
Property, plant and equipment	8	88,647,381	95,277,103
Exploration and evaluation assets		-	2
		120,077,016	123,643,469
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	9,042,146	11,325,568
Income taxes payable		613,867	798,519
Loans payable	10	14,027,219	17,057,959
		23,683,232	29,182,046
Asset retirement obligation	12	2,443,410	2,451,862
Security deposit for financial guarantee	11	420,268	1,456,346
Deferred tax liabilities		1,628,796	1,693,269
		28,175,706	34,783,523
EQUITY			
Share capital	13	123,005,743	123,005,743
Reserves	13	3,535,964	7,055,486
Deficit		(54,788,095)	(59,836,126)
Equity attributable to owners of parent		71,753,612	70,225,103
Equity attributable to non-controlling interests	18	20,147,698	18,634,843
Total equity		91,901,310	88,859,946
		120,077,016	123,643,469
Nature of operations	1		
Commitments	8, 19		
Contingency	10		
Subsequent event	10, 20		

Approved by the Directors:

"John Campbell"

"Stephen Kenwood"

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

Majestic Gold Corp.
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Unaudited - expressed in US dollars)

	Notes	Three months ended September 30,		Twelve months ended September 30,	
		2019	2018	2019	2018
		- \$ -	- \$ -	- \$ -	- \$ -
Gold revenue	16	7,119,195	6,214,381	32,431,898	33,804,198
Cost of sales					
Operating expenses	16	3,277,808	3,359,022	15,475,068	16,652,084
Depreciation and depletion	8,17	1,061,610	897,408	4,324,473	4,105,781
Gross profit		2,779,777	1,957,951	12,632,357	13,046,333
Administrative expenses					
General and administrative	16	874,573	892,310	3,159,901	3,181,094
Profit before other items		1,905,204	1,065,641	9,472,456	9,865,239
Other items					
Finance expense	16	210,334	197,989	853,840	888,130
Finance income		(209,051)	(74,436)	(469,888)	(372,739)
Foreign exchange loss (income)		(800,578)	918	(802,367)	174,882
Write-down of exploration and evaluation assets		-	-	2	-
Write-down of VAT receivable		-	194,488	-	194,488
Gain on reversal of account payables		(24,726)	(1,943,166)	(24,726)	(1,943,166)
		(824,021)	(1,624,207)	(443,139)	(1,058,405)
Net income before income tax		2,729,225	2,689,848	9,915,595	10,923,644
Income tax expense		506,700	2,120,464	2,522,181	4,047,226
Net income for the period		2,222,525	569,384	7,393,414	6,876,418
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating operations		(4,228,077)	(2,621,518)	(4,352,050)	(2,849,089)
Total other comprehensive loss for the period		(4,228,077)	(2,621,518)	(4,352,050)	(2,849,089)
Total comprehensive income (loss) for the period		(2,005,552)	(2,052,134)	3,041,364	4,027,329
Net income for the period attributable to:					
Owners of the parent		1,680,720	297,724	5,048,031	4,397,090
Non-controlling interests		541,805	271,660	2,345,383	2,479,328
		2,222,525	569,384	7,393,414	6,876,418
Comprehensive income (loss) for the period attributable to:					
Owners of the parent		(1,719,233)	(1,653,825)	1,528,509	2,185,028
Non-controlling interest		(286,319)	(398,309)	1,512,855	1,842,301
		(2,005,552)	(2,052,134)	3,041,364	4,027,329
Income per share attributable to owners of the parent- basic and diluted		0.00	0.00	0.01	0.01
Weighted average number of common shares outstanding - basic and diluted		1,047,726,381	980,226,381	1,047,726,381	963,534,002

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

Majestic Gold Corp.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - expressed in US dollars)

		Number of shares	Share capital - \$ -	Share-based payment reserve - \$ -	Foreign currency translation reserve - \$ -	Deficit - \$ -	Total - \$ -	Non- controlling interest - \$ -	Total equity - \$ -
	Note								
Balance, September 30, 2017		912,265,216	105,995,607	12,889,899	(2,325,507)	(64,233,216)	52,326,783	16,792,542	69,119,325
Shares issued on financing	13	64,724,919	7,729,126	-	-	-	7,729,126	-	7,729,126
Shares issued as finder's fee	13	3,236,246	128,819	-	-	-	128,819	-	128,819
Warrants exercised		67,500,000	9,308,368	(1,296,844)	-	-	8,011,524	-	8,011,524
Shares issue costs	13	-	(156,177)	-	-	-	(156,177)	-	(156,177)
Comprehensive income (loss)									
Net profit for the period		-	-	-	-	4,397,090	4,397,090	2,479,328	6,876,418
Other Comprehensive loss		-	-	-	(2,212,062)	-	(2,212,062)	(637,027)	(2,849,089)
Total comprehensive income for the period		-	-	-	(2,212,062)	4,397,090	2,185,028	1,842,301	4,027,329
Balance, September 30, 2018		1,047,726,381	123,005,743	11,593,055	(4,537,569)	(59,836,126)	70,225,103	18,634,843	88,859,946
Balance, September 30, 2018		1,047,726,381	123,005,743	11,593,055	(4,537,569)	(59,836,126)	70,225,103	18,634,843	88,859,946
Comprehensive income									
Net profit for the period		-	-	-	-	5,048,031	5,048,031	2,345,383	7,393,414
Other comprehensive income		-	-	-	(3,519,522)	-	(3,519,522)	(832,528)	(4,352,050)
Total comprehensive income for the period		-	-	-	(3,519,522)	5,048,031	1,528,509	1,512,855	3,041,364
Balance, September 30, 2019		1,047,726,381	123,005,743	11,593,055	(8,057,091)	(54,788,095)	71,753,612	20,147,698	91,901,310

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

Majestic Gold Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - expressed in US dollars)

	Twelve months ended September 30,	
	2019	2018
	- \$ -	- \$ -
Cash provided from (used for):		
Operating activities:		
Net income for the period	7,393,414	6,876,418
Items not involving cash:		
Depreciation and depletion	4,590,772	4,378,905
Finance expense	853,840	888,130
Income tax expense	2,522,181	4,047,226
Gain on reversal of accounts payable and accrued liabilities	(24,726)	(1,943,166)
Write-down of exploration and evaluation assets	2	-
Changes in non-cash working capital balances:		
Receivables	(1,322,001)	1,369,450
Deposits and prepaid expenses	593,391	(227,636)
Inventory	(2,022,085)	(888,612)
Accounts payable and accrued liabilities	(2,018,023)	621,246
Deferred revenue	-	(2,009,575)
Effect of foreign exchange on working capital	(870,174)	812,308
Income tax paid	(2,682,328)	(2,933,450)
Interest paid	(765,394)	(1,174,857)
Net cash provided from operating activities	6,248,869	9,816,387
Investing activities:		
Expenditures on property, plant and equipment	(1,470,042)	(14,494,231)
Reclamation deposit	(3,087)	(496,220)
Net cash used for investing activities	(1,473,129)	(14,990,451)
Financing activities:		
Restricted cash	2,472,619	(1,682,472)
Share capital (net of share issue costs)	-	7,701,768
Warrants exercised	-	8,011,524
Payment of loan guarantee	(1,018,137)	(764,760)
Loan advances	18,908,266	21,237,381
Loan repayments	(21,380,885)	(20,189,660)
Net cash provided from (used for) financing activities	(1,018,137)	14,313,781
Effect of foreign exchange on cash and cash equivalents	(785,831)	(523,908)
Net increase in cash and cash equivalents	2,971,772	8,615,809
Cash, beginning	18,842,863	10,227,054
Cash, ending	21,814,635	18,842,863

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the twelve months ended September 30, 2019 and 2018
(Unaudited - expressed in US dollars)

1. Nature of operations

Majestic Gold Corp. (the “Company”) is incorporated under the laws of the province of British Columbia, Canada. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol MJS. The Company is a mining company focused on the exploration, development and operation of mining properties in China.

The head office, principal address and the registered and records office of the Company are located at 306 – 1688 152nd Street, Surrey, British Columbia, Canada, V4A 4N2.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has completed its mining and production facilities and is now working on the underground development as well maintaining efficient production and increasing its positive cash flows from current operations. Should this not be achieved, the Company will continue to be dependent on raising sufficient funds to meet operational requirements. At September 30, 2019, the Company has a working capital of \$6,370,604. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. Basis of preparation and significant accounting policies

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these financial statements are based on International Financial Reporting Standards (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) issued and outstanding as at November 28, 2019, the date the audit committee to the board of directors approved these unaudited condensed consolidated interim financial statements for issue.

Basis of preparation

These unaudited condensed consolidated interim financial statements, prepared in conformity with IAS 34, follow the same accounting policies and methods of computation as the most recent audited annual consolidated financial statements.

Since these unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2018.

In November of 2019, Majestic changed its fiscal year end from September 30 to December 31 as the Company anticipates that a fiscal year end of December 31 will facilitate efficiencies in the administration, accounting and production of its annual audited financial statements.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. All inter- company balances and transactions, including unrealized income and expenses arising from inter- company transactions, are eliminated on consolidation.

The net interest of the Company’s most significant subsidiaries are presented below:

	Country of incorporation	Percentage as at September 30, 2019	Percentage as at September 30, 2018
Sinogold Resources Holdings Group Co. Ltd.	Cayman Island	94%	-
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited - expressed in US dollars)

2. Basis of preparation and significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

Use of estimates (continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

a) The useful lives of property, plant and equipment

The useful lives of the Company's mining property and related property, plant and equipment is based on indicated gold resource estimates based on a certain grade cut-off level. Assumptions that influenced cut-off grade include the expected future price of gold, projected operating costs and discount rates. Changes to these assumptions and further analysis of the Company's gold resource estimates could significantly impact the expected useful lives of the Company's mineral property and related property, plant and equipment.

b) Asset retirement obligation

The asset retirement obligation is based on projected future costs associated with mine reclamation and closure activities on the Company's Songjiagou Gold Mine ("Songjiagou"). This estimate is based on current Chinese environmental laws and regulations. Future changes to such laws and regulations as well as changes to the Company's intended mining operations could significantly impact this provision.

c) Impairment of the Company's mining assets

When assessing whether there are indicators of impairment of the Company's mining property and related property, plant and equipment, the Company considers internal and external factors, including:

- (i) Market factors such as a decrease in the price of gold or an increase in market interest rates;
- (ii) Whether the carrying value of the Company's net assets exceeding the Company's market capitalization; and
- (iii) The net cash flows generated by the assets being less than expected.

The Company has concluded that, as at September 30, 2019, there are indicators of impairment of the Company's Songjiagou Gold Mine (Note 8) which comprises the Company's primary cash generating unit.

To determine the recoverable amount of the Company's mining assets, the Company makes estimates of the fair value less cost to sell determined based on discounted future cash flows expected to be derived from the Songjiagou Gold Mine. These projected cash flows make assumptions regarding future gold prices, the grade and recovery achieved from the ore mined, life of mine, future operating costs, future capital expenditures, and discount rates. The Company has determined that the recoverable amount exceeds the carrying value; however, significant revisions to these assumptions may result in the recognition of impairment. The resource estimate, grade, recovery, and life of mine that is expected to be achieved is based on the most recent technical report completed by a firm of independent consulting engineers. To date the Company has not achieved all the assumptions contained in the technical report.

d) Other significant estimates

Other significant estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include: determining the fair value measurements for financial instruments, the allocation of production costs to stockpiles of ore inventory and the recoverability of deferred income tax assets.

Use of judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

a) The determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company and Majestic Yantai Gold Ltd. is the Canadian dollar and the functional currency of

Majestic Gold Corp.
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(Unaudited - expressed in US dollars)

2. Basis of preparation and significant accounting policies (continued)

Yantai Zhongjia Mining Inc. and all other of the Company's Chinese subsidiaries is the CNY; and

- b) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

For the purposes of presenting the consolidated financial statements in the presentation currency of US dollars, the companies with functional currencies other than US dollars, the assets and liabilities are translated into US dollars using the period-end exchange rate and the operations and cash flows are translated using the average rates of exchange over the period. Exchange differences arising when the opening net assets and the profit or loss are translated into US dollars are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in profit or loss in the period in which the operation is disposed.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

3. New standards, interpretations and amendments issued but not yet applied

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of September 30, 2019, in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

IFRS 16 Leases: In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors will continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15") has been adopted.

IFRIC 23 Uncertainty over Income Tax Treatments: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019.

4. Cash

At September 30, 2019, cash of \$ 15,816,043 is held in China and is subject to local exchange control regulations. Chinese exchange control regulations provide for restrictions on exporting capital from China, other than through normal dividends.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited - expressed in US dollars)

5. Receivables

	September 30, 2019	September 30, 2018
Sales taxes receivable	\$ 6,341	\$ 21,753
Other receivables	1,842,814	495,789
Total	\$ 1,849,155	\$ 517,542

6. Deposits and prepaid expenses

	September 30, 2019	September 30, 2018
Current:		
Prepayment for mining supplies and services	\$ 22,588	\$ 502,659
Rent deposit	6,608	12,950
Other advances and prepayments	13,141	13,098
	<u>42,337</u>	<u>528,707</u>
Non-current:		
Reclamation deposits	1,375,799	1,427,168
Total	\$ 1,418,136	\$ 1,955,875

Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations at the Songjiagou Gold Mine and Songjiagou North Area.

7. Inventory

	September 30, 2019	September 30, 2018
Gold concentrate	\$ 1,868,968	\$ 1,099,097
Ore stockpile	2,146,929	939,210
Raw material	930,918	1,079,643
Total	\$ 4,946,815	\$ 3,117,950

Majestic Gold Corp.
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(Unaudited - expressed in US dollars)

8. Property, plant and equipment

	Heavy machinery and equipment	Office furniture and equipment	Mill	Songjiagou Gold Mine	Songjiagou North Underground	Total
Cost						
At September 30, 2018	\$ 1,481,139	\$ 506,985	\$ 45,403,127	\$ 52,669,104	\$ 14,277,933	\$ 114,338,288
Additions	604,841	11,888	-	853,313	-	1,470,042
Disposal	(61,757)	-	-	-	-	(61,757)
Foreign exchange adjustment	(76,405)	(19,320)	(1,728,783)	(2,033,115)	(543,648)	(4,401,271)
At September 30, 2019	1,947,818	499,553	43,674,344	51,489,302	13,734,285	111,345,302
Accumulated depreciation						
At September 30, 2018	(947,991)	(364,060)	(8,937,409)	(8,811,725)	-	(19,061,185)
Depreciation and depletion	(218,589)	(47,710)	(1,605,732)	(843,410)	(1,875,331)	(4,590,772)
Disposal	61,757	-	-	-	-	61,757
Foreign exchange adjustment	41,875	15,256	399,463	366,591	69,094	892,279
At September 30, 2019	(1,062,948)	(396,514)	(10,143,678)	(9,288,544)	(1,806,237)	(22,697,921)
Net book value						
At September 30, 2018	\$ 533,148	\$ 142,925	\$ 36,465,718	\$ 43,857,379	\$ 14,277,933	\$ 95,277,103
At September 30, 2019	\$ 884,870	\$ 103,039	\$ 33,530,666	\$ 42,200,758	\$ 11,928,048	\$ 88,647,381

The Company's principal mining property is the Songjiagou Gold Mine located in the Shandong Province of China. The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011. The Company's mining permit for the Songjiagou Gold Mine is valid until May 17, 2020. The Songjiagou Gold Mine is owned by the Company's subsidiary, Yantai Zhongjia Mining Inc. ("Zhongjia"). The Company's interest in Zhongjia is held through its 94% owned subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai"). Majestic Yantai holds 75% of the shares of Zhongjia. The remaining 25% of Zhongjia is held by Yantai Dahedong Processing Co. Ltd. ("Dahedong").

Songjiagou North Underground Area

The Songjiagou North project area lies immediately north of the Songjiagou open pit operation, within the project's exploration license boundary. The area underlain by precious metal mineralized vein structures was converted to a five-year, 0.414 sq. km. mining license that was granted on February 18, 2016. The mining license area covers a continuation of the gold mineralization that is currently being mined in the adjacent Songjiagou Gold Mine.

9. Accounts payable and accrued liabilities

	September 30, 2019	September 30, 2018
Trade and other payables	\$ 3,578,225	\$ 5,645,366
Amount due to Dahedong (Note 14)	5,463,921	5,680,202
Total	\$ 9,042,146	\$ 11,325,568

The balance due to Dahedong of \$ 5,463,921 (September 30, 2018 –\$5,680,202) bears no interest, is unsecured, and due on demand.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the twelve months ended September 30, 2019 and 2018
(Unaudited - expressed in US dollars)

10. Loans payable

	September 30, 2019	September 30, 2018
Balance, beginning	\$ 17,057,959	\$ 16,944,078
Accrued interest and fees	765,686	796,164
Banker's acceptance notes	5,603,575	7,114,250
Loan advances	13,304,691	14,123,131
Loan and interest repayments	(22,146,279)	(21,364,517)
Foreign exchange adjustment	(558,413)	(555,147)
Balance, ending	\$ 14,027,219	\$ 17,057,959

At September 30, 2019, the loans outstanding consist of:

- (i) a \$2,801,788 (CNY 20,000,000) (September 30, 2018 - \$2,912,692) one-year loan bearing an interest at 5.655% per annum. The loan is guaranteed by a third party. On November 6, 2019, the loan was renewed with an interest rate of 5.655% per annum, and a new maturity date is November 6, 2020 (Note 20);
- (ii) a \$1,400,894 (CNY 10,000,000) (September 30, 2018 - \$1,456,346) one-year loan bearing an interest at 0.525625% per month. The loan is guaranteed by certain third parties, including Dahedong. The loan was repaid on November 13, 2019 and renewed on November 14, 2019 with an interest rate of 6.31% per annum and a maturity date is November 13, 2020 (Note 20);
- (iii) a \$1,400,894 (CNY 10,000,000) (September 30, 2018 - \$1,456,346) one-year loan bearing an interest at 7.63% per annum. The loan is guaranteed by Dahedong, the owner of Dahedong and by certain third parties. The loan is repayable on December 9, 2019;
- (iv) a \$2,801,788 (CNY 20,000,000) (September 30, 2018 - \$2,912,692) one-year loan bearing an interest at 4.9925% per annum and repayable on April 4, 2020. The loan is guaranteed by Dahedong, the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (v) a \$4,202,681 (CNY 30,000,000) (September 30, 2018 - \$4,369,038) one-year loan bearing an interest at 5.655% per annum and repayable on September 18, 2020. The loan is guaranteed by a third party;
- (vi) a \$1,400,894 (CNY 10,000,000) (September 30, 2018 - \$Nil) series of banker's acceptance notes. The notes are secured by the restricted cash. The remaining balance of the notes, if any, will bear interest at a daily rate of 0.05% should the restricted cash be insufficient to cover the notes presented for payment. These notes are repayable on November 29, 2019;
- (vii) accrued interest of \$18,281 (CNY 130,493) (September 30, 2018 - \$18,710) relating to the above loans.

11. Financial guarantee

On December 28, 2016, Zhongjia entered into a financial guarantee agreement whereby it has provided an unsecured financial guarantee of a CNY 50,000,000 five-year unsecured bank loan to Yantai Baiheng Gold Ltd. ("Baiheng"). The nature of the financial guarantee is such that the bank loan will become payable by Zhongjia should Baiheng default on the bank loan. As security, Baiheng has pledged its two mining permits to Zhongjia as well as Zhongjia having on deposit a refundable security deposit of CNY 3,000,000 (\$420,268) (September 30, 2018 - CNY 10,000,000 (\$1,456,346)). Should Baiheng go into default, the two mining permits will become transferable to Zhongjia and the security deposit will become non-refundable to Baiheng. Further, in the event of default, Dahedong will become liable for the entire amounts that Zhongjia will make on behalf of Baiheng. If Dahedong is not able to repay the liabilities, it will transfer 5% out of its 25% interest in Zhongjia to Majestic Yantai.

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12. Asset retirement obligation

The following table shows the movement for the asset retirement obligation:

	September 30, 2019	September 30, 2018
Balance, beginning	\$ 2,451,862	\$ 2,442,059
Additions and changes in estimates of net present value	-	(2,367)
Accretion (Note 16)	88,154	91,966
Foreign exchange adjustment	(96,606)	(79,796)
Balance, ending	\$ 2,443,410	\$ 2,451,862

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the Songjiagou Gold Mine (Note 8). These activities, which are site specific, include costs for earthworks, re-contouring, re-vegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, the Company used a risk-free rate of 3.70% (2018 – 3.70%) and an inflation rate of 1.6% (2018 – 1.6%). The majority of the expenditures are expected to occur in or after 2032.

13. Share capital and Reserves

a) Authorized:

Unlimited number of common shares without par value.

b) Issued share capital:

The Company had 1,047,726,381 common shares issued and outstanding as at September 30, 2019 and September 30, 2018.

Twelve months ended September 30, 2018

On February 14, 2018, the Company issued 64,724,919 common shares at CAD\$0.15 per common share for total proceeds of CAD\$9,708,738 (USD \$7,729,126) pursuant non-brokered private placement (the "Offering"). In connection with the Offering, the Company paid finder's fees by issuing 3,236,246 common shares with a fair value of CAD\$161,812 (USD\$128,819) and incurred share issue costs of CAD\$34,595 (USD\$27,358).

c) Stock Options

The Company has a shareholder approved "rolling" stock option plan (the "Plan") in compliance with the TSX-V's policies. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the discounted market price of the Company's stock at the date of grant. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not, within a twelve month period, exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed, within a twelve month period, two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The continuity for stock options for the twelve months ended September 30, 2019 is as follows:

Expiry date	Exercise price	Balance September 30, 2018	Issued	Exercised	Expired/ Cancelled	Balance September 30, 2019
January 28, 2021	CAD\$0.12	27,700,000	-	-	-	27,700,000
Weighted average exercise price		CAD\$0.12	\$ -	\$ -	\$ -	CAD\$0.12

The weighted average life of stock options outstanding at September 30, 2019 was 1.33 year.

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13. Share capital and Reserves (continued)

d) Share purchase warrants

The continuity for share purchase warrants for the twelve months ended September 30, 2019 is as follows:

Expiry date	Exercise price	Balance September 30, 2018	Issued	Exercised	Expired/Cancelled	Balance September 30, 2019
January 31, 2019	CAD\$0.155	5,000,000	-	-	(5,000,000)	-
Weighted average exercise price		CAD\$0.155	\$ -	\$ -	CAD\$0.155	\$ -

e) Reserves

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments. This reserve also includes the value attributed to warrants on unit private placements. At the time that the stock options or warrants are exercised, the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company's reporting currency.

14. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the twelve months ended September 30, 2019 and 2018:

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Consulting fees charged by directors and officers of the Company-includes key management personnel compensation	\$ 155,883	\$ 163,509	\$ 622,905	\$ 645,012

Key management personnel compensation

Key management included the Company's directors, executive officers and senior management.

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Short-term employee benefits-management fees	\$ 59,085	\$ 59,686	\$ 235,123	\$ 243,142
Director fees	39,241	39,628	157,465	162,834
	\$ 98,326	\$ 99,314	\$ 392,588	\$ 405,976

Related party balances

	September 30,	
	2019	2018
Amounts due to companies controlled by Directors and Officers of the Company (Note 9)	\$ 8,710	\$ 4,966
Amounts due to Dahedong (Note 9)	5,463,921	5,680,202
	\$ 5,472,631	\$ 5,685,168

Dahedong is a related party on the basis that it is controlled by a significant shareholder of the Company.

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15. Segmented information

The Company operates in one industry segment being the exploration, development and operation of mining properties in China. All of the Company's capital assets are located in China, except office furniture and equipment with a net book value of \$6,082 located in the Company's head-office in Vancouver, Canada. All of the Company's revenues are earned in China.

16. Revenue and Expenses

Revenue

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Sales of gold bullion	\$ 7,069,970	\$ 6,138,569	\$ 32,149,850	\$ 33,462,929
Other revenue	49,225	75,812	282,048	341,269
Total	\$ 7,119,195	\$ 6,214,381	\$ 32,431,898	\$ 33,804,198

Cost of sales

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Mining and milling expenditures	\$ 4,014,902	\$ 2,887,846	\$ 14,947,864	\$ 14,400,961
Depreciation and depletion (Note 8)	1,061,610	897,408	4,324,473	4,105,781
Smelting costs	269,103	323,777	1,023,445	1,291,011
Resource taxes	279,684	223,755	1,122,754	1,030,057
Other direct costs	111,547	245,530	514,823	644,064
Changes in ending gold concentrate inventory	(1,397,428)	(321,886)	(2,133,818)	(714,009)
Total	\$ 4,339,418	\$ 4,256,430	\$ 19,799,541	\$ 20,757,865

General and administrative

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Consulting and management fees	\$ 123,610	\$ 114,800	\$ 512,627	\$ 656,545
Financial advisory	2,108	96,581	23,030	96,581
Depreciation (Note 8)	69,829	67,015	266,299	273,124
Office and general	75,462	81,376	496,032	517,867
Professional fees	2,727	(5,611)	70,105	95,178
Salaries	254,972	363,290	1,241,230	988,632
Shareholder communications	8,578	14,338	29,212	32,122
Travel	337,287	160,521	521,366	521,045
Total	\$ 874,573	\$ 892,310	\$ 3,159,901	\$ 3,181,094

Finance expense

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Interest expenses (Note 10)	\$ 188,753	\$ 175,940	\$ 765,686	\$ 796,164
Accretion of asset retirement obligation (Note 12)	21,581	22,049	88,154	91,966
Total	\$ 210,334	\$ 197,989	\$ 853,840	\$ 888,130

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17. Risks and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and reclamation deposits held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and China. The credit risk associated with cash held in Canada is reduced by management ensuring that the Company uses a major Canadian financial institution with strong investment grade ratings by a primary ratings agency. The credit risk associated with cash held in China is reduced, but not fully mitigated, by management using a financial institution that is operated by the Government of China.

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 plans to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in interest bearing accounts which are available on demand. Management believes the Company has sufficient cash on hand to finance operations for the next twelve months.

Industry Risk

The Company is a mining company with a property and mining operations in China. Its mining activities involve numerous inherent risks. The Company is subject to various financial, equities markets, operational and political risks that could significantly affect its operations and cash flows. These risks include changes in local laws affecting the mining industry, a decline in the price of commodities, uncertainties inherent in estimating mineral resources and fluctuations in the foreign currencies against the US dollar. The Company does not use derivatives or hedging to mitigate the risk of changes in the price of gold or currency fluctuations.

The Company's business is highly dependent on the price of gold and venture capital markets, which are impacted by volatility factors the Company cannot control. A decrease in the price of gold could adversely affect the Company's financial condition, results of operations and cash flows. Lower gold prices may result in asset impairment, write-downs of mineral property carrying values and limitations in access to capital.

The Company operates in China and is exposed to the laws governing the mining industry in China. The Chinese government is currently supportive of the mining industry but there is uncertainty in future changes to government policies and regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance and expropriation. These factors could adversely affect the Company's exploration efforts and production plans.

The Company's property is located in an area that can experience severe winter weather conditions which could adversely affect mining operations. In addition, the Company is subject to changes in environmental laws and regulations that may result in unexpected costs.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other commodity price risk. These are discussed further below:

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash and reclamation deposits held in bank accounts that earn interest at variable interest rates. The Company's loans payable accrues interest at fixed rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of September 30, 2019.

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17. Risks and capital management (continued)

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the functional currency of the entity completing the transaction or holding the funds. The Company does not manage currency risks through hedging or other currency-based derivatives. The Company and its subsidiaries do not have significant transactions or hold significant cash denominated in currencies other than their functional currencies. Therefore, this risk is considered minimal.

18. Non-controlling interest

The Company's 75% equity interest in Zhongjia is held by Majestic Yantai. The non-controlling interest represents the 25% equity interest in Zhongjia held by Dahedong and the 6% equity interest in Majestic Yantai held by another minority shareholder.

The following is the summarized consolidated statement of financial position of Majestic Yantai:

	September 30, 2019	September 30, 2018
Current:		
Assets	\$ 22,991,116	\$ 18,362,235
Liabilities	(18,062,768)	(23,370,780)
Total current net liabilities	4,928,348	(5,008,545)
Non-current		
Assets	90,017,098	96,694,976
Liabilities	(6,719,895)	(6,897,626)
Total non-current net assets	83,297,203	89,797,350
Balance, ending	\$ 88,225,551	\$ 84,788,805

The following is the summarized consolidated statement of comprehensive loss of Majestic Yantai:

	Three months ended September 30,		Twelve months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 7,119,195	\$ 6,214,381	\$ 32,431,898	\$ 33,804,198
Net income before income tax	2,891,522	3,037,478	10,977,656	12,437,157
Income tax expense	(506,700)	(2,120,464)	(2,522,181)	(4,047,226)
Net income	2,384,822	917,014	8,455,475	8,389,931
Other comprehensive loss	(519,216)	(2,712,918)	(544,581)	(2,578,170)
Comprehensive income (loss)	\$ 1,865,606	\$ (1,795,904)	\$ 7,910,894	\$ 5,811,761

19. Commitments

Operating lease commitments

	2019	2020	2021	Total
Operating lease commitments:				
Office premises	\$ 6,157	\$ 25,769	\$ 4,333	\$ 36,258

20. Subsequent events

Subsequent to September 30, 2019, the Company:

- (i) renewed its bank loan for CNY 20,000,000 (\$2,801,788) on November 6, 2019, with an interest rate of 5.655% per annum and a new maturity date is November 6, 2020; and
- (ii) renewed its bank loan for CNY 10,000,000 (\$1,400,894) on November 14, 2019, with an interest rate of 6.31% per annum and a new maturity date of November 13, 2020.