



**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

(Expressed in US dollars)

(Unaudited)

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

	Note	March 31, 2021 - \$ -	December 31, 2020 - \$ -
ASSETS			
Current assets			
Cash	4	30,611,839	33,774,231
Receivables	5	19,001	18,307
Deposits and prepaid expenses	6	762,638	464,063
Inventory	7	6,286,948	4,442,758
		37,680,426	38,699,359
Reclamation deposits	6	2,176,255	2,190,025
Property, plant and equipment	8	84,777,920	83,069,232
Exploration and evaluation assets	9	70,473	69,605
Deferred tax assets		826,658	832,537
Other long-term assets	10	2,069,606	1,854,435
		127,601,338	126,715,193
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	21,579,165	23,341,722
Current portion of long-term liability		162,068	163,221
Income taxes payable		2,240,230	3,817,389
Loans payable	12	4,565,307	4,597,772
		28,546,770	31,920,104
Asset retirement obligation	14	3,370,643	3,367,253
Other long-term liabilities	20	1,415,356	1,336,156
		33,332,769	36,623,513
EQUITY			
Share capital	15	123,005,743	123,005,743
Reserves	15	11,666,412	12,071,824
Deficit		(55,115,415)	(58,361,024)
Equity attributable to owners of parent		79,556,740	76,716,543
Equity attributable to non-controlling interests	21	14,711,829	13,375,137
Total equity		94,268,569	90,091,680
		127,601,338	126,715,193
Nature of operations	1		
Commitments	9, 20		
Contingencies	13		
Subsequent event	22		

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
(Unaudited - expressed in US dollars)

		Three months ended	
		March 31, 2021	March 31, 2020
		- \$ -	- \$ -
	<i>Note</i>		
Gold revenue	18	5,770,486	10,311,908
Cost of sales			
Operating expenses	18	1,362,984	4,680,138
Depreciation and depletion	8, 18	1,232,635	1,641,076
Gross profit		3,174,867	3,990,694
General and administrative	18	909,975	839,976
Exploration and evaluation expenditures	9	99,314	-
Profit before other items		2,165,578	3,150,718
Other items			
Finance expense	18	118,364	241,288
Finance income		(78,644)	(557,858)
Foreign exchange (gain) loss		(1,744)	14,571
Other expenses		3,536	290,402
		41,512	(11,597)
Net income before income tax		2,124,066	3,162,315
Income tax expense (recovery)		(2,582,577)	1,008,753
Net income for the period		4,706,643	2,153,562
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of parent		31,589	310,079
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(561,343)	(1,818,460)
Total other comprehensive loss for the period		(529,754)	(1,508,381)
Total comprehensive income for the period		4,176,889	645,181
Net income for the period attributable to:			
Owners of the parent		3,272,458	1,420,096
Non-controlling interests		1,434,185	733,466
		4,706,643	2,153,562
Comprehensive income for the period attributable to:			
Owners of the parent		2,840,197	(398,725)
Non-controlling interest		1,336,692	1,043,906
		4,176,889	645,181
Income per share attributable to owners of the parent- basic and diluted		0.00	0.00
Weighted average number of common shares outstanding - basic and diluted		1,047,726,381	1,047,726,381

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)

	Attributable to owners of the parent									
	Note	Number of shares	Share capital - \$ -	Share-based payment reserve - \$ -	Special Reserve - \$ -	Foreign currency translation reserve - \$ -	Deficit - \$ -	Total - \$ -	Non-controlling interest - \$ -	Total equity - \$ -
Balance, December 31, 2019		1,047,726,381	123,005,743	11,593,055	407,408	(4,593,265)	(65,835,781)	64,577,160	5,176,327	69,753,487
Safety fund surplus reserve		-	-	-	14,170	7,315	(21,485)	-	-	-
Comprehensive income (loss)										
Net income for the period		-	-	-	-	-	1,420,096	1,420,096	733,466	2,153,562
Other comprehensive income (loss)		-	-	-	-	(1,818,821)	-	(1,818,821)	310,440	(1,508,381)
Total comprehensive income (loss) for the period		-	-	-	-	(1,818,821)	1,420,096	(398,725)	1,043,906	645,181
Balance, March 31, 2020		1,047,726,381	123,005,743	11,593,055	421,578	(6,404,771)	(64,437,170)	64,178,435	6,220,233	70,398,668

	Attributable to owners of the parent									
	Note	Number of shares	Share capital - \$ -	Share-based payment reserve - \$ -	Special Reserve - \$ -	Foreign currency translation reserve - \$ -	Deficit - \$ -	Total - \$ -	Non-controlling interest - \$ -	Total equity - \$ -
Balance, December 31, 2020		1,047,726,381	123,005,743	11,593,055	2,501,155	(2,022,386)	(58,361,024)	76,716,543	13,375,137	90,091,680
Safety fund surplus reserve		-	-	-	22,884	3,965	(26,849)	-	-	-
Statutory surplus reserve		-	-	-	(13,969)	13,969	-	-	-	-
Comprehensive income (loss)										
Net income for the period		-	-	-	-	-	3,272,458	3,272,458	1,434,185	4,706,643
Other comprehensive loss		-	-	-	-	(432,261)	-	(432,261)	(97,493)	(529,754)
Total comprehensive income for the period		-	-	-	-	(432,261)	3,272,458	2,840,197	1,336,692	4,176,889
Balance, March 31, 2021		1,047,726,381	123,005,743	11,593,055	2,510,070	(2,436,713)	(55,115,415)	79,556,740	14,711,829	94,268,569

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)

	Three months ended	
	March 31, 2021	March 31, 2020
	- \$ -	- \$ -
Cash provided from (used for):		
Operating activities:		
Net income for the period	4,706,643	2,153,562
Items not involving cash:		
Depreciation and depletion	1,270,761	1,634,009
Finance expense	118,364	206,888
Net Income tax expense (recovery)	(2,582,577)	1,008,753
Changes in non-cash working capital balances:		
Receivables	(694)	2,665
Deposits and prepaid expenses	(298,575)	(2,109,206)
Inventory	(1,894,822)	608,561
Accounts payable and accrued liabilities	(1,846,362)	(148,764)
Effect of foreign exchange on working capital	(88,117)	(3,540)
Net Income tax recovered (paid)	1,016,453	(676,954)
Interest paid	(72,296)	(189,320)
Net cash provided from operating activities	328,778	2,486,654
Investing activities:		
Expenditures on property, plant and equipment	(3,367,452)	(295,409)
Exploration and evaluation assets	-	(19,727)
Reclamation deposits	(1,711)	-
Net cash used for investing activities	(3,369,163)	(315,136)
Financing activities:		
Lease payments	(4,531)	-
Village distributions	(41,079)	-
Net cash used for financing activities	(45,610)	-
Effect of foreign exchange on cash	(76,397)	(727,847)
Net increase (decrease) in cash	(3,162,392)	1,443,671
Cash, beginning	33,774,231	23,918,724
Cash, ending	30,611,839	25,362,395

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 three-month period ended March 31, 2021 and 2020
(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, Australia and Canada.

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 consolidated 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. At March 31, 2021, the Company has a working capital of \$9,133,656. In the opinion of the directors, the Company will have necessary funds to finance its working capital and capital expenditure requirements for the next twelve months following March 31, 2021 based on the consideration that the Company is expected to remain profitable and continue to generate operating cash inflow from its future business operations.

On May 14, 2021, the Company reported that it had received governmental approval to resume mining operations at the Songjiagou Underground Mine following successful completion of its safety inspection. The Company further anticipates receiving approval to resume its open-pit mining operations by early June 2021. On March 1, 2021, the Company reported the provincial government in Shandong mandated the immediate closure of all non-coal operations in the province following a second major mine accident that occurred in the region. The provincial and city governments initiated a provincial wide program to inspect all underground gold mines in Shandong and mandate compliance with provincial safety standards, with the expectation to have the inspections of all operating non-coal mines completed by June 2021.

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 May 14, 2021, 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 December 31, 2020.

These unaudited condensed consolidated interim financial statements of the Company are presented in US dollars unless otherwise noted.

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.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three-month period ended March 31, 2021 and 2020
(Unaudited - expressed in US dollars)

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

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

	Country of incorporation	Percentage as at March 31, 2021	Percentage as at December 31, 2020
Sinogold Resources Holdings Group Co. Ltd.	Cayman Island	94%	94%
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

COVID-19 estimation uncertainty

Since mid-January 2020, there has been a widespread of COVID-19, which in March 2020, the World Health Organization categorized as a pandemic within the Peoples Republic of China ("PRC") and globally outside the PRC. COVID-19 had affected more than 200 countries. As a result, businesses in major cities in the PRC, including Yantai city where the Company's operations are located, had been temporarily suspended in order to contain and mitigate the current outbreak.

To comply with the PRC government's measures to contain and mitigate the COVID-19 outbreak, the Company also had suspended certain office administrative functions in the PRC for approximately three weeks in February 2020. During this period, the Company had experienced a temporary suspension in the delivery of our gold concentrate to the gold refineries although there was no suspension in the mining and processing operations, with full operations resuming on February 24, 2020.

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.

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

Depreciation is calculated on the straight-line basis to depreciate the cost of each item of plant and equipment and ROU asset to its residual value over its estimated useful life. Useful lives are determined based on management's past experience with similar assets, estimated changes in technologies and in the case of mining related plant and equipment, estimated mine lives. If the estimated useful lives change significantly, adjustment of depreciation will be provided in the future year.

The useful lives of the Company's mining properties and infrastructure are based on indicated gold resource and probable reserve 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 and reserve estimates could significantly impact the expected useful lives of the Company's mineral property and related infrastructure.

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 and Songjiagou Underground North Area. These estimates are 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.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three-month period ended March 31, 2021 and 2020
(Unaudited - expressed in US dollars)

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

c) Impairment of the Company's mining assets

When assessing whether there are indicators of impairment of the Company's mining property and related assets, 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 March 31, 2021, there are no indicators of impairment of the Company's mining properties and related assets.

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" (IAS 21") management determined that the functional currency of the Company is the Canadian dollar, the functional currency of Yantai Zhongjia Mining Inc. and all the other of the Company's Chinese subsidiaries is the Chinese Yuan ("CNY") and the functional currency of Sinogold Resources Holdings Group Co., Ltd. and Majestic Yantai Gold Ltd. is the Hong Kong dollar. Prior to January 1, 2020, the functional currency of Majestic Yantai Gold Ltd, was the Canadian dollar. Per IAS 21, an entity's functional currency should be determined based on the underlying transactions, events and conditions relevant to the entity. Based on management's re-evaluation, taking into consideration the primary economic environment in which Majestic Yantai Gold Ltd. carries on its business, management determined that the functional currency of the Majestic Yantai Gold Ltd.'s operations changed from Canadian dollars to Hong Kong dollars as at January 1, 2020, given the increase in administrative costs that are denominated in Hong Kong dollars. The change in functional currency of Majestic Yantai Gold Ltd. was applied prospectively from January 1, 2020, in accordance with IAS 21. On the date of the change of functional currency, all items on the statement of financial position of Majestic Yantai Gold Ltd. were translated into Hong Kong dollars at the exchange rate on that date; 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.

Majestic Gold Corp.
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For the three-month period ended March 31, 2021 and 2020
(Unaudited - expressed in US dollars)

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

Comparative figures

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

3. New accounting standards, interpretations and amendments

New accounting standards, interpretations and amendments issued not yet applied

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of March 31, 2021, in preparing these consolidated financial statements.

IAS 16 Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable.

IAS 1, Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

4. Cash

At March 31, 2021, cash of \$28,170,726 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.

5. Receivables

	March 31, 2021	December 31, 2020
Sales taxes receivable	\$ 5,829	\$ 6,429
Other receivables	13,172	11,878
Total	\$ 19,001	\$ 18,307

6. Deposits and prepaid expenses

	March 31, 2021	December 31, 2020
Current:		
Prepayment for mining supplies and services	\$ 375,903	\$ 94,297
Rent deposit	11,195	11,120
Other prepayments and deposits	375,540	358,646
	<u>762,638</u>	<u>464,063</u>
Non-current:		
Reclamation deposits	2,176,255	2,190,025
Total	\$ 2,938,893	\$ 2,654,088

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three-month period ended March 31, 2021 and 2020
(Unaudited - expressed in US dollars)

6. Deposits and prepaid expenses (continued)

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

	March 31, 2021	December 31, 2020
Gold concentrate	\$ 3,822,159	\$ 1,826,145
Ore stockpile	1,003,060	920,374
Raw material	1,461,729	1,696,239
Total	\$ 6,286,948	\$ 4,442,758

8. Property, plant and equipment

Songjiagou Gold Mine

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 has been renewed and is valid until May 17, 2031. 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 indirect 94% ownership of its 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 Mine

The Songjiagou North Underground Mine is also owned by Zhongjia and 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 Company's mining permit for the Songjiagou North Underground Mine has been renewed and is valid until February 18, 2031. The mining license area covers a continuation of the gold mineralization that is currently being mined in the adjacent Songjiagou Gold Mine.

As at March 31, 2021 and December 31, 2020, ROU included prepaid land leases and building leases.

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

8. Property, plant and equipment (continued)

	Motor Vehicles	Office furniture and equipment	Building	Machinery	Mining Infrastructure	Mineral Property	Right-of-Use Assets	Total
Cost								
At December 30, 2020	696,631	654,838	14,276,633	25,688,122	36,507,048	25,025,611	19,369,685	122,218,568
Additions	-	61,816	-	-	132,819	3,172,004	115,341	3,481,980
Disposal	-	-	-	-	-	-	(70,593)	(70,593)
Foreign exchange adjustment	(4,920)	(5,009)	(100,807)	(181,385)	(259,127)	(103,743)	(135,759)	(790,750)
At March 31, 2021	\$ 691,711	\$ 711,645	\$ 14,175,826	\$ 25,506,737	\$ 36,380,740	\$ 28,093,872	\$ 19,278,674	\$ 124,839,205
Accumulated depreciation								
At December 30, 2020	(572,535)	(482,325)	(6,019,593)	(12,274,850)	(10,084,622)	(2,872,557)	(6,842,854)	(39,149,336)
Depreciation and depletion	(11,284)	(22,991)	(179,228)	(342,999)	(337,273)	(212,302)	(164,684)	(1,270,761)
Disposal	-	-	-	-	-	-	70,593	70,593
Foreign exchange adjustment	4,156	3,507	44,327	90,159	74,636	22,442	48,992	288,219
At March 31, 2021	\$ (579,663)	\$ (501,809)	\$ (6,154,494)	\$ (12,527,690)	\$ (10,347,259)	\$ (3,062,417)	\$ (6,887,953)	\$ (40,061,285)
Net book value								
At December 30, 2020	\$ 124,096	\$ 172,513	\$ 8,257,040	\$ 13,413,272	\$ 26,422,426	\$ 22,153,054	\$ 12,526,831	\$ 83,069,232
At March 31, 2021	\$ 112,048	\$ 209,836	\$ 8,021,332	\$ 12,979,047	\$ 26,033,481	\$ 25,031,455	\$ 12,390,721	\$ 84,777,920

As at March 31, 2021, certain of the Company's property, plant and equipment with a cost of \$11,492,606 were pledged to banks to secure the Company's loans payable (Note 12).

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

9. Exploration and evaluation assets

	Sunset/Sunrise Mineral Property, British Columbia	Fair Adelaide East Project, Australia	Total
Balance at December 31, 2020	\$ 858	\$ 68,747	\$ 69,605
Foreign exchange adjustment	10	858	868
Balance at March 31, 2021	\$ 868	\$ 69,605	\$ 70,473

Fair Adelaide East Project, Australia

On December 15, 2019, the Company entered into the option agreement ("FAE Agreement") to acquire 51% ownership of a gold exploration project in Western Australia known as the Fair Adelaide East Project (the "FAE Project"). The FAE Project is located near Kalgoorlie-Boulder City, Western Australia, 520 km northeast of Perth, Australia, and is comprised of 8 contiguous prospecting license Tenements covering 1,321.82 hectares.

Under the terms of the FAE Agreement, the Company has the option to acquire a 51% in the FAE Project by making the following option payments and exploration expenditures:

- by paying the Optionor AUD\$30,000 (paid) on execution, paying a further AUD\$30,000 on December 4, 2020 (paid) and spending a total AUD\$2,000,000 in exploration expenditures the project during the ensuing two years ending December 15, 2023, provided that the Company spends a minimum of AUD\$500,000 on the project during the year commencing December 15, 2021, and ending December 15, 2022.
- alternatively, the Company may elect to acquire a 51% interest in fewer than the full 8 Tenements by making the two cash payments of AUD\$30,000 as in a) above and electing to expend a minimum of AUD\$250,000 on any one or any number of Tenements each and relinquishing the balance of the Tenements back to the Optionor, again provided the Company expends a minimum of AUD\$500,000 during the period commencing December 15, 2021 and ending December 15, 2023.

Sunset-Sunrise Property, British Columbia, Canada

In November 2019, the Company acquired the Sunset and Sunrise mineral claims which are located in the Cassiar District of British Columbia by making a payment of \$840.

Exploration and evaluation expenditures recorded in the statements of income and comprehensive income for the three-month period ended March 31, 2021, is as follows:

Three months ended March 31, 2021	Fair Adelaide East Project, Australia	Total March 31, 2021
Assay and analysis	\$ 26,614	\$ 26,614
Drilling	53,090	53,090
Geological consulting	19,610	19,610
Total	\$ 99,314	\$ 99,314

10. Other long-term assets

At March 31, 2021, the Company has loan receivables in the amount of \$2,069,606 (CNY13,600,000). During fiscal 2020, the Company entered into the following loan agreements with arm's length parties:

- a zero-interest bearing installment loan of up to \$608,708 (CNY 4,000,000) to an arm's length construction company. At March 31, 2021, \$547,837 (CNY3,600,000) of loan installments were outstanding. The loan was provided in support of economic development to a village adjacent to Songjiagou Mine Site as loan proceeds will be used for the construction of vegetable storage sheds for the villagers. zero-interest bearing loan receivable by the Company. The loan is repayable by way of four annual payments beginning September 17, 2022, each for 25% of the amount borrowed;
- a zero-interest bearing installment loan of \$1,521,769 (CNY10,000,000) to an arm's length party due on July 24,

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10. Other long-term assets (continued)

2022. The Company provide the loan in exchange for the borrowing party providing a guarantee pledge on behalf of the Company.

11. Accounts payable and accrued liabilities

	March 31, 2021	December 31, 2020
Trade and other payables	\$ 14,767,442	\$ 16,549,971
Loan interest payables	7,951	8,007
Provisions	1,272,228	1,281,276
Amount due to Dahedong (Note 16)	5,531,544	5,502,468
Total	\$ 21,579,165	\$ 23,341,722

The balance due to Dahedong of \$5,531,544 (December 31, 2020 – \$5,502,468) bears no interest, is unsecured, and due on demand.

The provisions consist of a provision for the relocation of villages surrounding the mine and a provision for penalties that arise from overdue tax payment and other penalties.

A continuity of the Company's provisions that are included in accounts payable and accrued liabilities are as follows:

	Provision for relocation	Provision for penalties	Total
Balance, December 31, 2019	\$ 551,176	\$ 1,326,663	\$ 1,877,839
Utilized during the period	(315,927)	(369,382)	(685,309)
Effect of foreign exchange	19,554	69,192	88,746
Balance, December 31, 2020	254,803	1,026,473	1,281,276
Effect of foreign exchange	(1,799)	(7,249)	(9,048)
Balance, March 31, 2021	\$ 253,004	\$ 1,019,225	\$ 1,272,228

12. Loans Payable

	March 31, 2021	December 31, 2020
Balance, beginning	\$ 4,597,772	\$ 12,916,189
Loan advances	-	4,351,547
Loan repayments	-	(13,054,641)
Foreign exchange adjustment	(32,465)	384,677
Balance, ending	\$ 4,565,307	\$ 4,597,772

At March 31, 2021 and December 31, 2020, the loans outstanding consist of:

- (i) a \$1,521,769 (CNY 10,000,000) (December 31, 2020 - \$1,532,591) one-year loan bearing interest at 4.80% per annum and repayable on September 6, 2021. The loan is guaranteed by Dahedong, the owner of Dahedong and by certain third parties;
- (ii) a \$1,521,769 (CNY 10,000,000) (December 31, 2020 - \$1,532,591) one-year loan bearing interest at 6.31% per annum and repayable on November 10, 2021. The loan is guaranteed by certain third parties, including Dahedong; and
- (iii) a \$1,521,769 (CNY 10,000,000) (December 31, 2020 - \$1,532,591) one-year loan bearing interest at 7.70% per annum. The loan is guaranteed by certain third parties, including Dahedong. The loan is repayable on December 7, 2021.

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13. Financial guarantees

At March 31, 2021, the Company had provided the following financial guarantees:

- (i) 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. Should Baiheng go into default, the two mining permits will become transferable to Zhongjia. 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. At March 31, 2021, Baiheng has repaid CNY 20,000,000 of the bank borrowing;
- (ii) At March 31, 2021, Zhongjia had provided a joint and several guarantee for an external party's debt. The contingent liability under this matter approximately ranged from CNY 6,950,000 to CNY 50,000,000 (excluding relevant financing interest and other fees incurred).

14. Asset retirement obligation

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

	March 31, 2021	December 31, 2020
Balance, beginning	\$ 3,367,253	\$ 3,057,207
Additions and changes in estimates of net present value	-	106,174
Accretion (Note 18)	27,445	98,879
Foreign exchange adjustment	(24,055)	104,993
Balance, ending	\$ 3,370,643	\$ 3,367,253

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the Songjiagou Gold Mine and Songjiagou North Underground 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 3.25% (2020 – 3.25%). The majority of the expenditures are expected to occur in or after 2030. As at March 31, 2021, the total undiscounted amount of estimated cash flows required to settle the Company's obligation was \$4,540,380 (CNY29,836,200)

15. 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 March 31, 2021 and December 31, 2020.

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.

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15. Share capital and Reserves (continued)

c) Stock Options (continued)

The continuity for stock options outstanding and exercisable for three month period ended March 31, 2021 is as follows:

Expiry date	Exercise price	Balance December 31, 2020	Issued	Exercised	Expired/ Cancelled	Balance March 31, 2021
January 28, 2021	CAD\$0.12	20,700,000	-	-	(20,700,000)	-
Weighted average exercise price		CAD\$0.12	\$ -	\$ -	\$ 0.12	\$ -

d) 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.

Safety fund surplus reserve

Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, Zhongjia is required to establish a safety fund surplus reserve based on the volume of mineral ore extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

Statutory surplus reserve

In accordance with the Company Law of the PRC and the Articles of Association of Zhongjia, Zhongjia is required to allocate 10% of its profit after tax determined under PRC accounting standards to the statutory surplus reserve until such reserve reaches 50% of the authorised share capital of Zhongjia. Subject to certain restrictions set out in the Company Law of the PRC, part of this reserve may be converted to increase the share capital, provided that the remaining balance after the capitalisation is not less than 25% of the authorised share capital.

16. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the three month period ended March 31, 2021 and 2020:

	Three months ended	
	March 31, 2021	March 31, 2020
Consulting fees charged by companies controlled by directors and officers of the Company-includes key management personnel compensation	\$ 149,410	\$ 109,822

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16. Related party transactions and balances (continued)

Key management personnel compensation

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

	Three months ended	
	March 31, 2021	March 31, 2020
Short-term employee benefits—management fees	\$ 49,745	\$ 44,670
Director fees	3,554	14,889
	\$ 53,299	\$ 59,559

Related party balances

	March 31, 2021	December 31, 2020
Amounts due to companies controlled by Directors and Officers of the Company	\$ 3,256	\$ 6,274
Amounts due to Dahedong	5,531,544	5,502,468
	\$ 5,534,800	\$ 5,508,742

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

17. 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 \$5,659 and an ROU asset with a net book value of \$115,341 located in the Company's head-office in Vancouver, Canada. The Company's exploration and evaluation assets are located in Australia and Canada (Note 9). All of the Company's revenues are earned in China.

Revenue from each of the major customers which amounted to 10% or more of the Company's revenue for the three month period ended March 31, 2021 and 2020 is as follows:

	Three months ended	
	March 31, 2021	March 31, 2020
Customer A	\$ -	\$ 1,795,169
Customer B	5,770,486	8,516,739
Total	\$ 5,770,486	\$ 10,311,908

18. Revenue and Expenses

Revenue

	Three months ended	
	March 31, 2021	March 31, 2020
Sales of gold bullion	\$ 5,770,486	\$ 10,311,908

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18. Revenue and Expenses (continued)

Cost of sales

	Three months ended	
	March 31, 2021	March 31, 2020
Mining and Milling fees	\$ 2,828,699	\$ 3,375,589
Depreciation and depletion (Note 8)	1,232,635	1,641,076
Smelting costs	126,021	166,784
Resource taxes	206,235	365,023
Other direct costs	6,751	63,159
Changes in ending gold concentrate inventory	(1,804,722)	709,583
Total	\$ 2,595,619	\$ 6,321,214

General and administrative

	Three months ended	
	March 31, 2021	March 31, 2020
Consulting and management fees (Note 16)	\$ 146,720	\$ 152,032
Financial advisory	18,216	219,539
Depreciation (Note 8)	38,126	(7,067)
Office and general	123,469	103,859
Professional fees	7,983	3,580
Research and development	255,440	-
Salaries	209,662	270,259
Shareholder communications	13,441	13,374
Travel	96,918	84,400
Total	\$ 909,975	\$ 839,976

Finance expense

	Three months ended	
	March 31, 2021	March 31, 2020
Interest expenses and finances charges for loans payable	\$ 72,296	\$ 189,320
Interest expense for leases	681	730
Interest expense for other long-term liabilities	17,942	17,722
Accretion of asset retirement obligation (Note 14)	27,445	33,516
Total	\$ 118,364	\$ 241,288

19. 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

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19. Risks and capital management (continued)

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. The Company's accounts payable and accrued liabilities are generally due on demand. The maturity of the Company's loans are disclosed in Note 12.

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 March 31, 2021.

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.

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20. Other long-term liabilities

Other long-term liabilities are comprised of the following:

	March 31, 2021	December 31, 2020
Lease liability	\$ 115,341	\$ 3,830
Village distribution liability	1,300,015	1,296,832
Other long-term liability	-	35,494
Total	\$ 1,415,356	\$ 1,336,156

Village distribution liability

Pursuant to investment agreements, the Company is required to make payments of CNY 1,068,800 (\$164,317) per annum to certain individuals registered as villagers in the village adjacent to the Songjiagou Gold Mine until the year 2032. The liability reflects the present value of the required payments, discounted using the Company's incremental borrowing rate of 4.90%.

Lease liability

The Company has the following lease liability related to its office premise of \$115,341, being the present value of future lease payments from June 2021 till February 2026.

21. Non-controlling interest

The Company's equity interest in Zhongjia is held indirectly through its 94% owned subsidiary Sinogold by way of Sinogold's 100% ownership interest in Majestic Yantai. Majestic Yantai has a 75% equity interest in Zhongjia. The non-controlling interest represents the 25% equity interest in Zhongjia held by Dahedong and the 6% equity interest in Sinogold held by another minority shareholder.

The following is the summarized consolidated statement of financial position of Sinogold:

	March 31, 2021	December 31, 2020
Current:		
Assets	\$ 34,926,167	\$ 35,635,892
Liabilities	(83,674,684)	(87,436,791)
Total current net liabilities	(48,748,517)	(51,800,899)
Non-current		
Assets	39,188,135	37,990,817
Liabilities	(4,670,658)	(4,699,579)
Total non-current net assets	34,517,477	33,291,238
Balance, ending	\$ (14,231,040)	\$ (18,509,661)

The following is the summarized consolidated statement of comprehensive income of Sinogold:

	Three months ended	
	March 31, 2021	March 31, 2020
Revenue	\$ 5,770,486	\$ 10,311,908
Net income before income tax	2,526,682	3,545,129
Income tax recovery (expense)	2,582,577	(1,008,753)
Net income	5,109,259	2,536,376
Other comprehensive loss	(414,327)	(1,811,506)
Comprehensive income	\$ 4,694,932	\$ 724,870

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21. Non-controlling interest (continued)

The following is the summarized consolidated statement of cash flows of Sinogold:

	Three months ended	
	March 31, 2021	March 31, 2020
Cash flow from operating activities	\$ 600,212	\$ 2,347,356
Cash flow used for investing activities	(3,369,163)	(315,136)
Cash flow used for financing activities	(41,079)	-
Effect of foreign exchange on cash	(75,528)	(726,979)
Net increase (decrease) in cash and cash equivalents	\$ (2,885,558)	\$ 1,305,241

22. Subsequent event

Subsequent to March 31, 2021, the Company entered into a loan for CNY30,000,000 (\$4,635,710) on April 29, 2021, with an interest rate of 4.35% per annum and the maturity date is April 29, 2022.