MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

(Expressed in US dollars)

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") dated May 14, 2021, discusses the financial condition and results of operations of Majestic Gold Corp. (TSX-V: MSJ) ("Majestic" or "the Company") for the three months ended March 31, 2021. The MD&A should be read in conjunction with the accompanying unaudited condensed consolidated financial statements of the Company and notes thereto for the three months ended March 31, 2021 (the "Financial Report").

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in US dollars unless otherwise indicated.

This discussion focuses on key statistics from the unaudited condensed consolidated financial statements for the three months ended March 31, 2021, and up to the date of this MD&A and pertains to known risks and uncertainties relating to the gold exploration and development and mining industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website www.majesticgold.com.

CORONA VIRUS ("COVID-19") DISCUSSION

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.

GOVERNMENT INSPECTIONS OF MINING 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.

PERFORMANCE HIGHLIGHTS

Three months ended March 31, 2021

- ***Gold revenue*** decreased by 44% to $5.8 million, from $10.3 million for the comparative period in FY2020;
- ***Gross profit*** from mining operations decreased by 20% to $3.2 million, from $4 million for the comparative period in FY2020;
- ***Net income*** increased by $2.5 million to $4.7 million, from $2.2 million for the comparative period in FY2020. The increase is due primarily to a $2.5 million in income tax recovery from a retrospective change in the Company's corporate tax rate from 25% to 15%;
- ***Gold production*** decreased to 5,203 ounces, from 6,878 ounces produced for the comparative period in FY2020;
- ***Cash flow*** from operating activities decreased to $0.3 million, from $2.5 million for the comparative period in FY2020;
- ***Total cash costs and all-in sustaining costs*** *("AISC")* for the first quarter of FY2021, were $450 per ounce and $758 per ounce, compared to $693 per ounce and $819 per ounce for the comparative period in FY2020; Refer to pages 15-17 of the MD&A for the computation of this Non-IFRS financial measure;
- ***Adjusted EBITDA*** for the first quarter of FY2021, was $3.5 million, compared to $4.8 million for the comparative period in FY2020. Refer to pages 15-17 of the MD&A for the computation of this Non-IFRS financial measure;
- On March 17, 2021, the Company reported results from its recently completed drill program at the Fair Adelaide Project. The drill program consisted of a total of 21 holes drilled with 1,144 meters of aircore drilling, testing two gold targets and one nickel-cobalt target identified in previous exploration programs on the property;
- On April 1, 2021, the Company reported the renewal of the Songjiagou North Underground mining license with the Shandong Natural Resource Bureau until February of 2031; and
- On May 14, 2021, reported that it had received governmental approval to resume mining operations at the Songjiagou Underground Mine following successful completion of its safety inspection.

OUTLOOK

- The Company is currently awaiting government approval to resume operations at the Songjiagou open-pit mine following the completion of its safety inspection. The Company recently received approval to resume operations at its under-ground mine and anticipates receiving approval to resume its open-pit mining operations by early June 2021.
- The Company has not experienced any significant impact on its operations as result of the COVID-19 pandemic. The Company has been operating without significant interruption since March 2020, when the World Health Organization categorized COVID-19 as a global pandemic. The Company continues to monitor the health of its employee and its supply chains to be able to respond to any potential disruptions.
- The Company is focused on the continued expansion of its mining operations at the Songjiagou Open Pit Gold Mine under its expanded mining permit.
- As part of the Company's growth strategy, Majestic is pursuing potential property acquisitions, continuing to explore corporate financings opportunities as well as other development opportunities.

DESCRIPTION OF BUSINESS

Majestic is a Vancouver, Canada based gold producer with mining operations in China and exploration and evaluation properties held directly or under option agreement in Australia, China and Canada. The Company's main business involves the acquisition, exploration and development of mineral properties. At March 31, 2021, and at the date of this MD&A, the Company's mineral property interests and mining operations are located in China, with the Songjiagou Gold Mine as the Company's flagship project as well holding directly or under options on early-stage exploration properties in China, Australia and Canada. The Company is a TSX Venture Exchange listed mining company trading under the symbol "MJS".

SONGJIAGOU GOLD MINE

The Company's principal mining operation is the Songjiagou Gold Mine ("Songjiagou Project" and "Songjiagou") located in Shandong province, China. The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011. Majestic holds its 75% interest in Songjiagou through its 94% owned subsidiary Majestic Yantai Gold Ltd. The remaining 25% of Songjiagou is held by Yantai Dahedong Processing Co. Ltd.. The Company's mining license for the Songjiagou Gold Mine is valid until May 17, 2031.

RESOURCE

The Company filed an amended technical report titled "Independent Technical Report of Songjiagou Project, Shandong Province, The People's Republic of China" (the "Amended Report") dated January 19, 2016, as prepared by SRK Consulting (China) Ltd. ("SRK").

The Amended Report is an amendment of the initial technical report in support of the Preliminary Economic Assessment ("PEA") for the Songjiagou Gold Mine dated August 2, 2013, and prepared by SRK Consulting (China) Ltd. The Amended Report is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website www.majesticgold.com.

Amended Resource Estimate* (in Amended Report dated January 19, 2016)
Global Resource

Open Pit		Underground
Indicated (MT)	**Inferred**	**Inferred**
(0.30 g/t Au) cutoff	(0.30 g/t Au) cutoff	(0.80 g/t Au) cutoff
26.6 MT @ 1.40 g/t Au	23.4 MT @ 1.45 g/t Au	5.6 MT @ 2.60 g/t Au

Within Original Mining License

Open Pit		Underground
Indicated (MT)	**Inferred**	**Inferred**
(0.30 g/t Au) cutoff	(0.30 g/t Au) cutoff	(0.80 g/t Au) cutoff
24.1 MT @ 1.44 g/t Au	18.0 MT @ 1.29 g/t Au	4.9 MT @ 2.60 g/t Au

**The resource estimate is categorized as Indicated and Inferred as defined by the CIM guidelines for resource reporting. Mineral resources do not demonstrate economic viability, and there is no certainty that these mineral resources will be converted into mineable reserves once economic considerations are applied.*

A PEA should not be considered to be a prefeasibility or feasibility study, as the economics and technical viability of the Songjiagou Project have not been demonstrated at this time. A PEA is preliminary in nature; it includes inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves; there is no certainty that the preliminary assessment will be realized.

SONGJIAGOU NORTH UNDERGROUND MINE

The Songjiagou North Underground Mine ("Songjiagou Underground") project area lies immediately north of the Songjiagou Gold Mine, within the project's mining 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 and is valid until February 18, 2031. The mining license area covers a continuation of the gold mineralization that is currently being developed in the adjacent Songjiagou Gold Mine.

The Songjiagou North Underground Mine development includes a 2,650 metre access ramp, a main auxiliary shaft, air shafts, and inclined shafts connecting the five levels developed at +49, +9, -40m, -80m and -160 m. The Company commenced production at Songjiagou North Underground in October 2019, and for FY2020 mined an average 240 tonnes per day at an average grade of 1.74 g/t.

SRK Consulting (China) Ltd, is working with the Company to update the Company's NI 43-101 Technical Report which includes the Songjiagou North underground Mine into the updated Technical Report and will be published following its completion.

EXPLORATION

Australia - Fair Adelaide East Project

In December 2019, Majestic has entered into a letter agreement (the "Agreement") with Plutus Resources Pty. Ltd. ("Plutus"), a privately owned Australian company, whereby Majestic has been granted an option to acquire a 51% interest in Fair Adelaide East Project which consists of eight tenements located in Western Australia.

The eight contiguous tenements owned by Plutus, collectively called the Fair Adelaide East Project, are within the Eastern Goldfields Province of Western Australia. The property is located about 60 kilometres northwest of Kalgoorlie and comprise a total area of 1,322 hectares. The property covers a prospective portion of ultramafic rocks on the western limb of the Goongarrie–Mt Pleasant anticline in the prolific Kalgoorlie gold district which also hosts significant base metal occurrences. The geology of the project area covers predominantly mafic – ultramafic rock types which in part are covered by alluvial soils of varying depths and these areas along with a number of other prospective targets remain untested.

The project is also located adjacent and on strike to the Cawse lateritic nickel project. The project is considered to be prospective for economic Archaean lode-style gold as well as Komatiite nickel sulphide mineralisation.

The Company reported its March 2021 exploration results at the Fair Adelaide East and Queen Adelaide prospect. The exploration program tested eighteen holes for near surface gold mineralization near the western boundary of the property. Greenstone rocks that host gold mineralization at these prospects play host regionally to the Siberia, Mt. Pleasant and Paddington gold deposits.

Five of the holes drilled by the Company at these prospects returned anomalous results, with the best hole returning 0.54 g/t gold over 7.0 meters, from 32.0 to 39.0 meters depth, including 2.52 g/t gold over 1.0 meter from Hole 15.

The Company drilled 3 holes at Puzzle Bear, testing mineralization that was drilled by Crusader Resources in 2004. Holes 20 and 21 drilled by the Company returned anomalous nickel and cobalt values starting at surface, as follows:

- Hole 20 intersected 0.26% nickel and 0.031% cobalt over 8.0 meters
- Hole 21 intersected 0.24% nickel and 0.020% cobalt over 7.0 meters

The Company is currently evaluating whether any follow-up exploration work will be undertaken on the property.

China Exploration Projects

On October 23, 2019, the Company has entered into three separate non-binding Memorandums of Understanding ("MOUs") with three different groups (the "Parties") on four gold projects located in the Muping-Rushan gold belt in eastern Shandong Province, China.

Under the terms of each of the MOUs, Majestic and each of the Parties have agreed to a 12-month exclusivity period whereby Majestic shall have the right to carry out a thorough due diligence review of the business, finance and legal status of each party and its assets. Majestic has agreed to complete a Competent/Qualified Persons report for each of the four properties and upon completion of its due diligence, Majestic will decide upon a possible joint venture, merger or acquisition with each of the Parties and/or their assets.

Pursuant to the MOUs signed by Majestic, the Company has contracted SRK Consulting China Ltd. to prepare Competent/Qualified Persons reports for the four properties that are the subjects of the MOUs, as outlined below.

Baiheng

Majestic's October 2019 MOU replaces its 2015 MOU with Yantai Baiheng Gold Mine Co. Ltd. ("Baiheng") allowing more thorough due diligence of Baiheng and its two gold properties: Xia Yu Cun and Shuang Shan Tun. These two gold properties are in relative proximity to Majestic's Songjiagou Gold Mine, with the properties located 16.5 and 26 kilometres northeast of Songjiagou Gold Mine. Both properties were former gold producers and have been explored recently by Baiheng in order to expand gold mineralization laterally and at depth.

Baiheng has been focused on Shuang Shan Tun, a property with a 2.05 square kilometre Prospecting License and a 0.778 square kilometre Mining License. The previous operator of Shuang Shan Tun mined eight gold mineralized structures from near surface down to a depth of about 250 metres. Since taking over, Baiheng has since discovered 15 deep gold-mineralized vein structures down to a depth of about 1,000 metres. Baiheng has developed a production shaft down to 1,000 metres in order to develop the horizontal levels giving access to three of the higher-grade mineralized structures.

At Xia Yu Cun, Baiheng holds a 3.14 square kilometre Prospecting License and is in the process of renewing its 0.44 square kilometre Mining License. Mining by the previous operator at Xia Yu Cun was stopped at a depth of 100 metres. Baiheng has since delineated gold mineralization from eight distinct mineralized vein structures that are found from 100-800 metres below surface but Baiheng has not proceeded with any development on the property.

Moshan

Majestic's second MOU is with Moshan Fanda Mining Co. Ltd. ("Fanda"), owner of the Moshan property, located 14.5 kilometres northeast of Majestic's Songjiagou gold mine. Fanda owns a 5.2 square kilometre Exploration License that covers an area where they expanded mineralization on 15 gold-mineralized vein structures and discovered an additional four mineralized vein structures in exploration between 2015 and 2016.

Jiaxing

Majestic's third MOU is with Weihai Jiaxing Mining Co. Ltd. ("Jiaxing"), owner of the Waizhuang property, located approximately 25 kilometres southeast of Majestic's operation at Songjiagou. The property is comprised of a 10.15 square kilometre Exploration License. Jiaxing conducted detailed exploration of the property in 2015 and discovered a total six gold-mineralized vein structures

QUALIFIED PERSON

Stephen Kenwood, President and CEO of Majestic, is the Company's QP as defined by National Instrument 43-101 and is the non-independent QP that has read and approved the technical information contained in this MD&A.

SELECTED FINANCIAL AND OPERATING RESULTS

	Three months ended March 31, 2021	Three months ended March 31, 2020
Operating data		
Gold produced (ozs)	5,203	6,878
Gold realized net of smelting fees (ozs)	4,802	6,360
Gold sold (ozs)	3,030	6,755
Average realized gold price ($/oz sold)	$ 1,904	$ 1,527
Total cash costs ($/oz sold) (1)	450	693
Total production costs ($/oz sold) (1)	857	936
All-in sustaining costs ($/oz sold) (1)	758	819
Financial data		
Gold revenue	$ 5,770,486	$ 10,311,908
Gross profit (2)	3,174,867	3,990,694
Adjusted EBITDA (1)	3,535,653	4,784,727
Net income	4,706,643	2,153,562
Net income attributable to shareholders	3,272,458	1,420,096
Basic and diluted income per share	0.00	0.00

	March 31, 2021	December 31, 2020
Balance Sheet		
Cash and cash equivalents	$ 30,611,839	$ 33,774,231
Total assets	127,601,338	126,715,193
Total current liabilities	28,546,770	31,920,104

(1) See "Additional Non-IFRS Financial Measures" on pages 15-17.
(2) "Gross profit" represents total revenues, net of cost of goods sold.

RESULTS OF OPERATIONS

Gold Production

	Three months ended March 31, 2021	Three months ended March 31, 2020
Production data		
Songjiagou Gold Mine		
Tonnes mined	234,618	224,692
Tonnes milled	292,227	346,177
Head grade (g/t)	0.54	0.47
Mill recovery	95%	94%
Gold produced (ozs)	4,770	4,931
Gold realized net of smelting fees (ozs)	4,399	4,569
Songjiagou Underground Mine		
Tonnes mined	8,092	23,915
Tonnes milled	8,092	23,915
Head grade (g/t)	1.70	2.53
Mill recovery	98%	99%
Gold produced (ozs)	433	1,947
Gold realized net of smelting fees (ozs)	403	1,791
Total Songjiagou Operations		
Tonnes mined	242,710	248,607
Tonnes milled	300,319	370,092
Head grade (g/t)	0.57	0.60
Mill recovery	95%	95%
Gold produced (ozs)	5,203	6,878
Gold realized net of smelting fees (ozs)	4,802	6,360

Gold production was 5,203 ounces for the first quarter of FY2021, from 300,319 tonnes of ore milled with an average grade of 0.57 g/t and a 95% recovery rate, compared to 6,878 ounces produced, from 370,092 tonnes milled with an average grade of 0.6 g/t and a 95% recovery rate, for the comparative quarter in FY2020.

Gold production declined during the current quarter due to the temporary suspension of the mining operations that commenced on January 27, 2021. The suspension is in effect pending the completion of the governmental mandated cautionary safety inspections of all non-coal mining operations in the Shandong Province. The Company was initially able to process ore from its existing stockpile until the end of February, after which time the government mandated processing operations were also suspended until the completion of the safety inspections and governmental authorization to resume operations was received. In May 2021, the Company received approval to resume its underground mining as well as its processing operations and anticipates receiving approval to resume its open-pit operations by early June.

Gold Revenue

		Three months ended		
		March 31, 2021		March 31, 2020
Gold				
Ounces sold		3,030		6,755
Average realized price ($/oz)	$	1,904	$	1,527
Revenues				
Gold	$	5,770,486	$	10,311,908

Gold revenue for the first quarter of FY2021 was $5.8 million, from the sale of 3,030 ounces, at an average realized gold price of $1,904 per ounce, compared to gold sales revenue of $10.3 million for the comparative quarter in FY2020, from the sale of 6,755 ounces, at an average realized gold price of $1,527 per ounce.

Cost of Sales

		Three months ended		
		March 31, 2021		March 31, 2020
Ounces sold		3,030		6,755
Per ounce of gold sold (1)				
Cash costs	$	450	$	693
Production costs		857		936
Cost of Goods Sold				
Total cash costs	$	1,362,984	$	4,680,138
Total production costs		2,595,619		6,321,214

(1) See "Additional Non-IFRS Financial Measures" on pages 15-17.

Cash costs were $450 per ounce for the first quarter of FY2021, compared to $693 for the comparative quarter in FY2020. Production costs were $857 per ounce for the first quarter of FY2021, compared to $936 per ounce for the comparative quarter in FY2020.

The Company continues to work in maintaining its average cash costs below $675 per ounce.

Other Items

The Company's general and administrative expenses ("G&A") expenditures were $909,975 for the first quarter of FY2021, an 8% increase from $839,976 for the comparative quarter in FY2020. The overall increase in G&A is primarily due to the Company's result of the Company's continued research and development efforts.

The significant variances for the three month ended March 31, 2021 and 2020 are as follows:

Financial advisory expenditures for the first quarter of FY2021 were $18,216 (FY2020 - $219,539). The decrease in financial advisory fees for the current quarter is due to the Company pausing its efforts as it evaluates current corporate financing opportunities. The Company anticipates that financial advisory expenditures in future quarters will be comparable to the prior year periods.

Research and development expenditures for the first quarter of FY2021 were $255,440 (FY2020 - $Nil). These costs are related to the Company's initiative in developing and implementing new technologies in its mining operations, with the expectation of improving its recovery rates, and efficiencies and environmental impact in its processing and mining activities.

The remaining G&A expenses recorded in the statement of operations reflect the normal corporate business cycle. The Company strives to provide efficient and cost-effective administrative support to management's ongoing efforts to monitor production costs, and increase shareholder value.

The details of the changes in the consolidated G&A for the three months ended March 31, 2021 and 2020 are as follows:

	Three months ended	
	March 31, 2021	March 31, 2020
Consulting and management fees	$ 146,720	$ 152,032
Financial advisory	18,216	219,539
Depreciation	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

The details of the changes in the consolidated finance expense for the three months ended March 31, 2021 and 2020 are as follows:

	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	27,445	33,516
Total	$ 118,364	$ 241,288

SUMMARY OF QUARTERLY RESULTS

The financial results for each of the eight most recently completed quarters are summarized below:

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Net revenues	$5,770,486	$14,962,881	$13,919,283	$13,169,364
Net income	$4,706,643	$3,789,196	$4,726,768	$4,392,775
Income per share	0.00	$0.01	$0.00	$0.00
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Net revenues	$10,311,908	7,941,403	$7,119,195	$6,928,695
Net income (loss)	$2,153,562	$(1,330,157)	$1,756,827	$490,037
Income per share	$0.00	(0.00)	0.00	0.00

Significant variations in net revenues between periods are primarily due to variances in gold sales as well as the volatility of gold prices.

Significant variations in the net income between quarters are primarily due to the volatility of gold prices and variances in gold sales, production costs, G&A expenses. For the quarter ended March 31, 2021, the Company had a tax recovery of $2,822,027 (RMB 18,355,875) related to a retrospective change its corporate tax rate beginning in FY2020 to a rate of 15% from 25%.

LIQUIDITY

The Company's liquidity requirements arise principally from the need for working capital to finance expansion of its mining and processing operations. The Company's principal sources of funds have been proceeds from the borrowing from various financial institutions in China, equity financings, and cash generated from operations. The Company's liquidity depends primarily on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

At March 31, 2021, the Company had cash of $30,611,839 (December 31, 2020 - $33,774,231).

The Company had working capital of $9,133,656 at March 31, 2021, improving from a working capital of $6,779,255 at December 31, 2020, of which the key components included:

- *Cash* - was $30.6 million; down $3.2 million from the end of fiscal 2020;
- *Deposits and prepaid expenses* - was $0.8 million, up $0.3 million from the end of fiscal 2020;
- *Inventories* - was $6.3 million, up $1.8 million from the end of fiscal 2020;
- *Accounts payable and accrued liabilities* – was $21.6 million, down $1.8 million from the end of fiscal 2020;
- *Income tax payable* – was $2.2 million, down $1.6 million from the end of fiscal 2020;
- *Loans payable* - was $4.6 million at March 31, 2021 and the end of fiscal 2020.

Majestic began the first quarter of fiscal 2021, with $33,774,231 in cash. During the three months ended March 31, 2021, the Company generated $328,778 from the Company's operating activities, net of working capital changes, expended $3,369,163 on investing activities, and expended $45,610 on the Company's financing activities and had a foreign exchange loss of $76,397, to end at March 31, 2021 with $30,611,839 in cash.

Management considers its operating cash flows to be sufficient for the next twelve months in meeting its planned development, operational activities, and its current outstanding debts. The Company has been achieving consistent profits from its operations and anticipates that once full operations resume following the governmental approval on the successful completion of the cautionary safety inspections, the Company anticipates gold production, gold revenues and profits will to continue to grow from its FY2020 levels. The Company expects growth through increased production under the expanded mining permit and higher head grades being achieved in the open pit.

CAPITAL RESOURCES

As at the date of this MD&A, other than as described herein and in the Financial Report, the Company has no other arrangements for sources of financing.

In management's view, given the nature of the Company's operations, which consists of exploration, mining and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can discover mineralization and the economic viability of developing its properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond the Company's control, including the market value of the metals to be produced.

OUTSTANDING SHARE DATA AS AT THE DATE OF THIS MD&A

Authorized: an unlimited number of common shares without par value.	Common shares issued and
Outstanding at March 31, 2021 and at the date of this MD&A	1,047,726,381

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following related party transactions during the first quarter of fiscal 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 - include key management personnel compensation	$	149,410	$	109,822

Compensation of key management personnel

The remuneration of directors and other members of key management personnel, which are included in the amounts disclosed above, were as follows:

	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

Key management included the Company's directors, executive officers and senior management. These transactions occurred in the normal course of operations and are measured at their exchange amounts, which is the amount of consideration established and agreed to by the parties.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

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 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.

COMMITMENT AND CONTINGENCIES

Commitments and contingencies include principal and interest payments of Company's bank loans, expenditure commitments on its mineral properties, future aggregate minimum operating lease payments required under the operating leases and financial guarantees as described in the Notes 9, 12, 13 and 20 to the Financial Report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company from time to time enters into various off-balance sheet arrangements in the ordinary course of business. The arrangements are entered into by Yantai Zhongjia Mining Inc. and comprise of providing financial guarantees in its ordinary course of business. For additional information on these arrangements, refer to Note 13 of the Financial Report.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. Equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The Company classifies its cash, receivables, restricted cash and reclamation deposits at amortized cost.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, but not exceeding what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company classifies its accounts payable, loans payable, security for financial guarantee and other long-term liabilities at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Fair value

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks. The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level2 – inputs other than quoted prices included in Level1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level3 – inputs for the asset or liability that are not based on observable market data unobservable inputs).

Risk Management

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. 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 of the Financial Report.

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.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest, which they may have, in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Audit Committee of the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of independent directors.

RISKS AND UNCERTAINTIES

Risks and uncertainties information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's annual MD&A for the year ended December 31, 2020.

ADDITIONAL NON-IFRS FINANCIAL MEASURES

The Company has included additional financial performance measures in this MD&A, such as adjusted EBITDA, total cash costs, total production costs and AISC. The Company reports total cash costs, production costs, and AISC on a per gold ounce sold basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

"Adjusted EBITDA" represents earnings before interest (including non-cash accretion of financial obligations), income taxes and depreciation and depletion ("EBITDA"), adjusted to exclude impairment charges, allowance for doubtful accounts, gains or losses on asset dispositions, share-based compensation, gains/losses on financial instruments and foreign exchange gains/losses.

"Total cash costs per ounce" is calculated from operation's cash costs, which include resource taxes, and dividing the sum by the number of gold ounces sold. Operations cash costs include mining, milling, smelter and other direct costs.

"Total production costs per ounce" are calculated by adding depreciation and depletion to total cash costs and dividing the sum by the number of ounces of gold sold.

"All-in sustaining cash costs per ounce" includes total cash costs per ounce (as defined above) and adds the sum of G&A, share-based compensation, sustaining capital expenditures and certain exploration and evaluation costs, all divided by the number of ounces sold. As this measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in the calculation of all-in sustaining costs per ounce. Additionally, certain other cash expenditures, including income tax payments and financing costs, are not included.

The following table provides a reconciliation of adjusted EBITDA to the consolidated financial statements for the three month periods ended March 31, 2021 and 2020:

	Three months ended	
	March 31, 2021	March 31, 2020
Net Income (Loss)	$ 4,706,643	$ 2,153,562
Depreciation and depletion	1,270,761	1,634,009
Exploration and evaluation expenditures	99,314	-
Finance expense, net of finance income	39,720	(316,570)
Foreign exchange loss (income)	(1,744)	14,571
Other expenses	3,536	290,402
Income tax expense (recovery)	(2,582,577)	1,008,753
Adjusted EBITDA	$ 3,535,653	$ 4,784,727

The following table provides details of the primary components of adjusted EBITDA:

	Three months ended	
	March 31, 2021	March 31, 2020
Revenue	$ 5,770,486	$ 10,311,908
Cost of sales, net of depreciation and depletion	(1,362,984)	(4,680,138)
G&A, net of depreciation	(871,849)	(847,043)
Adjusted EBITDA	$ 3,535,653	$ 4,784,727

The following tables provide reconciliation to the consolidated financial statements of total cash costs per ounce, and total production costs per ounce as disclosed in this MD&A to the consolidate financial statements for the three month periods ended March 31, 2021 and 2020:

	Three months ended	
	March 31, 2021	March 31, 2020
Gold sold (ozs)	3,030	6,755
Total cash costs per ounce		
Mining and Milling fees	$ 2,828,699	$ 3,375,589
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 cash costs	$ 1,362,984	$ 4,680,138
Per ounce sold	$ 450	$ 693
Total production costs per ounce		
Total cash costs	$ 1,362,984	$ 4,680,138
Depreciation and depletion	1,232,635	1,641,076
Total production costs	$ 2,595,619	$ 6,321,214
Per ounce sold	$ 857	$ 936
All-in sustaining costs per ounce		
Total cash costs	$ 1,362,984	$ 4,680,138
G&A, net of depreciation	871,849	847,043
Sustaining capital expenditures (1)	61,816	1,833
All-in sustaining costs	$ 2,296,649	$ 5,529,014
Per ounce sold	$ 758	$ 819

(1) Sustaining capital expenditures are defined those expenditures which do not increase annual gold ounce production and excludes certain expenditures at the Company's operations which are deemed expansionary in nature. Capital expenditures include unpaid capital expenditures incurred in the period.

The following table reconciles sustaining capital expenditures to the Company's total additions as reported in the consolidated statements of cash flows for the three month periods ended March 31, 2021 and 2020:

	Three months ended			
		March 31, 2021		March 31, 2020
Additions to property, plant and equipment				
Songjiagou Gold Mine and Underground Mine	$	3,305,636	$	293,576
Sustaining capital		61,816		1,833
	$	3,367,452	$	295,409

FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates by reference "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labor and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the year ended December 31, 2020, filed with the applicable securities regulatory authorities and available at SEDAR www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives, and may not be appropriate for other purposes.