MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended September 30, 2015

(Expressed in US dollars)

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Majestic Gold Corp. ("Majestic" or "the Company") should be read in conjunction with the accompanying audited consolidated annual financial statements and related notes thereto for the years ended September 30, 2015 and 2014, (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.

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

This MD&A contains information to January 27, 2016.

This discussion focuses on key statistics from the consolidated annual financial statements for the years ended September 30, 2015 and 2014 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.

OVERVIEW

- Gold production from the Songjiagou Gold Mine was 19,488 ounces in fiscal 2015, a 1% decrease in production, compared to 19,630 ounces produced in the fiscal 2014;
- Tonnes of ore milled was 1.6 million tonnes in fiscal 2015, with an average head grade of 0.43 g/t, compared to 1.6 million tonnes milled, with an average head grade of 0.42 g/t, in fiscal 2014;
- Gold sales revenue was $22.4 million in fiscal 2015, from the sale of 18,133 ounces, at an average realized gold price of $1,235 per ounce, compared to gold sales revenue of $23.5 million in fiscal 2014, from the sale of 18,165 ounces, at an average realized gold price of $1,291 per ounce. The average realized gold price in fiscal 2015 decreased by 4%, over the comparative year, reflecting the continued decline in the gold price during the current year;
- Total cash costs were $1,210 per ounce and total production costs were $1,347 per ounce in fiscal 2015, compared to cash costs of $1,165 per ounce and productions costs of $1,302 per ounce in fiscal 2014. The 4% increase cash and production costs, in fiscal 2015, were due primarily to an increase in waste removal costs. Fiscal 2015 had a full 12 months of waste removal costs, compared to only 6 months in fiscal 2014 as the Company did not begin implementation of its grade control program until April 2014. The Company expects the grade control program to allow for improvement of the average head grade, and thereby lowering the average cash and production costs per ounce;
- General and administrative expenses ("G&A") were $3.3 million in fiscal 2015, a 42% decrease when compared to $5.7 million of G&A expenses for fiscal 2014. The decrease reflects the Company's continued efforts of spending reductions implemented in fiscal 2014;
- On August 12, 2015, the Company announced receiving final government approval to expand its Mining License at Songjiagou, expanding the Mining License boundaries from 0.342 km² to 0.594 km²;
- On January 21, 2016 the Company announced it had filed an amended technical report titled "Independent Technical Report of Songjiagou Project, Shandong Province, The People's Republic of China" dated January 19, 2016 as prepared by SRK Consulting (China) Ltd.

OUTLOOK

For the coming 2016 fiscal year, the Company's priority continues to be to optimize its mining operations through the implementation of the grade control program as well as the development and implementation of an optimized mine plan.

DESCRIPTION OF BUSINESS

Majestic is a Vancouver, Canada based gold producer with mining operations in China. The Company's main business involves the acquisition, exploration and development of mineral properties. At September 30, 2015, and at the date of this MD&A, all of the Company's mineral property interests and mining operations are located in China. The Company is a TSX Venture Exchange listed mining company trading under the symbol "MJS".

The Company's principal mining operation is the Songjiagou Gold Mine, of the Muping mineral property, located in Shandong province, China. Majestic holds its interest in Muping through its 94% owned subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai"). The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011.

SONGJIAGOU GOLD MINE

The Songjiagou Gold Mine is the Company's flagship project. The Company began commercial production in May 2011 using process facilities with a capacity of 6,000 tpd throughput. The Company's joint venture partner Yantai Dahedong Processing Company Ltd., ("Dahedong") has held the contract to mine and process ore since startup.

RESOURCE

On January 21, 2016, pursuant to a disclosure review by the British Columbia Securities Commission ("BCSC") (see news release dated December 21, 2015), 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 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.

Changes in the Amended Report included the following:

- Explanation to capping of High Grade samples at 40 g/t gold;
- Reporting open-pit resources and underground resources by using different cut-off grades;
- Excluding the depletion of historical underground mining in the resource statements and the PEA;
- Including taxation in the economic analysis in the PEA;
- Addition of a Qualified Person ("QP"), Peter Fairfield, BEng, FAusIMM, for mining aspects of the technical report, as well as amending the certificates and consents of QP's to ensure that at least one qualified person is responsible for each section of the Amended Report;
- Addition of cautionary language relating to the mineral resource estimate and results of the PEA;
- The Amended Report includes an updated resource estimate of Indicated and Inferred Resources at Songjiagou Gold Mine, as follows:

Original Resource (in report dated August 2, 2013)
Global Resource

Open Pit	
Indicated (MT)	**Inferred**
(0.30 g/t Au) cutoff	(0.30 g/t Au) cutoff
28.6 MT @ 1.38 g/t Au	35.3 MT @ 1.43 g/t Au

Within Original Mining License

Open Pit	
Indicated (MT)	**Inferred**
(0.30 g/t Au) cutoff	(0.30 g/t Au) cutoff
25.9 MT @ 1.42 g/t Au	28.7 MT @ 1.35 g/t Au

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.*

- The amended resource estimate accounted for depletion by previous underground mining of an amount of 443,555 tonnes at an average grade of 0.85 g/t gold;
- The Amended Report designated Scenario 1 as a base-case for PEA of the Songjiagou operation. Scenario 1 allows for mining of only Indicated Resources, within the original mining license, at a rate of up to 7,400 tonnes per day. Results of the base-case analysis, using US$1,355 per ounce gold as the long term price are as follows:
    - Mining Inventory: 17.094MT @ 1.36 g/t gold
    - Stripping Ratio: 3.26:1
    - Mining Recovery: 95%
    - Mining Dilution: 5%
    - Smelting Recovery: 93%
    - After-tax NPV @ 10% discount rate: US$335 Million
    - Sensitivity analysis for 20% reduction in the base-case average gold price (US$1,084 per ounce) results in an after-tax NPV of US$232 Million

A PEA should not be considered to be a prefeasibility or feasibility study, as the economics and technical viability of the 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.

PRELIMINARY ECONOMIC ASSESSMENT

The Company's Amended Report dated January 19, 2016, is an amendment to the initial technical report in support of the Preliminary Economic Assessment ("PEA") for the Songjiagou Gold Mine, filed on August 21, 2013, and prepared by SRK Consulting (China) Ltd..

A summary of the main sections of the PEA are as follows:

Operating Cost

The following parameters were used to estimate the operating cost in the PEA:

- Mining cost: US$ 1.79/t (RMB 11.3/t). Mining costs are assumed to increase by US$ 0.05/t (RMB 0.3/t) annually;
- Stripping cost: US$ 1.36 (RMB 8.55/t). Stripping costs are assumed to increase by US$ 0.05/t (RMB 0.3/t) annually);
- Processing cost: US$ 7.55/t (RMB 47.46/t);
- Administration cost: US$ 0.72/t (RMB 4.50/t);
- Resource tax: US$ 0.72/t (RMB 5/t);
- Mineral resource compensation fee: US$ 31,830/year (RMB 200,000/year);
- Smelting cost: US$ 15.91/t (RMB 100/t) of dry gold concentrate; and
- Exchange rate: US$1 = RMB 6.2834 (CDN$ 1 = RMB 6.2789).

Mining Methods

Mining activities have been outsourced to Dahedong, and mining equipment is also being supplied by the contractor. The PEA is based on conventional open pit mining using excavators to load 40 tonne trucks which haul ore to the processing plant - a distance of about 4 km. Ore break is by self-propelled air track drills. Benches are 12 m high. The overall slope of the pit is 48°. The mine is scheduled to operate 330 days per year, 3 shifts per day and 8 hours per shift.

Recovery Methods

The Songjiagou Mine has three processing plants. Two of them were put into operation in 2006 with capacities of 200 tpd and 1,200 tpd and the third was put into operation in May 2011 with a capacity of 6,000 tpd. The 1,200 tpd mill is not being utilized at this time; all material mined currently is processed in the 6,000 tpd mill.

During the year ended September 30, 2015, the 200 tpd mill was upgraded to a 2,000 tpd mill by a third party, YE Zhifan ("Zhifan"), to process waste material from Songjiagou (< 0.30 g/t). Zhifan has paid all costs associated with the upgrade of the mill. The Company is also party to a February 1, 2015, agreement which allows Zhifan use of the tailings pond for a fee of CNY 5.5 per tonne of ore processed to a maximum of 1,500 tonnes per day.

Similar flowsheets are adopted in the 1,200 tpd plant and the 6,000 tpd plant. The flow sheet comprises conventional three-stage crushing and grinding in a closed circuit. The slurry is subjected to a flotation circuit comprising of one stage of roughing, one stage of cleaning, and two stages of scavenging. The gold concentrate is dehydrated and then sent for metallurgical processing at a nearby smelter.

The Company has been unable to realize the full potential of the Songjiagou Gold Mine, due, in a large part, to the lack of consistent grade control of the material entering the mill after being mined in the pit. The Company's management is currently limiting production to the capacity of the 6,000 tpd mill as the Company continues to work on the implementation of its grade control program, and the development of an optimized mine plan at Songjiagou.

On August 12, 2015, the Company announced receiving final government approval to expand its Mining License at Songjiagou, expanding the Mining License boundaries from 0.342 km² to 0.594 km². In advance of the approval, work in the pit at Songjiagou has included the development of a second access road into the pit to enable increased haulage of waste to two waste dump areas. The Company has also secured the necessary approval from residents of nearby Songjiagou and Fayunkang villages to relocate to a site that has been approved for residential construction. The village relocation plan is necessary due to their close proximity to the active open pit, and therefore allowing for the open pit expansion.

EXPLORATION

On August 12, 2015, the Company announced it had entered into a non-binding Letter of Intent ("LOI") with Yantai Baiheng Gold Mining Co. Ltd. ("Baiheng") on the Shuang Shan Tun and Xia Yu Cun properties, located in the Muping-Rushan Gold Belt in Shandong Province, China.

The LOI is, in principal, a due diligence agreement that allows Majestic a 12 month detailed due diligence period, after which the Company has the option to enter into a definitive agreement for one or both of the properties. During the due diligence period, Majestic will also hold the right of first refusal over any third party proposal similar in nature to those being contemplated.

The completion of the joint venture is subject to the completion of due diligence on exploration and development work completed on the properties to date, the completion of a scoping study-level evaluation of the properties, as well as the approval of the TSX Venture Exchange and all other required regulatory, corporate and security holder approvals. During the due diligence period and prior to entering into a definitive agreement with Baiheng, Majestic does not have any obligations to Baiheng.

The Shuang Shan Tun and Xia Yu Cun properties are both small tonnage, medium-high grade underground gold projects that have been developed as small scale producers. Majestic intends to determine the economic viability of larger scale development of either property on a joint venture basis.

On September 18, 2014, the Company announced that Zhongjia had entered into a non-binding Letter of Intent with China Shandong No. 3 Mineral and Geological Exploration Institute ("No. 3 Brigade") to explore, and if appropriate, develop the Jincheng Gold Property ("Jincheng"), a 14.72 square kilometer concession contiguous with the Songjiagou Gold Mine.

Terms of the joint venture provide for Zhongjia to earn an 80% interest in the Jincheng Gold Property, based on an evaluation of prior work done on Jincheng that is to be determined by an independent evaluator that is mutually acceptable to Zhongjia and the No. 3 Brigade. Zhongjia may earn into 80% of Jincheng by paying an amount equal to 80% of the evaluation amount. Once the joint venture is established, the companies agree to fund exploration and development of Jincheng on an 80/20 basis. Should the No. 3 Brigade choose not to fund their portion, their interest in the joint venture will dilute to a level no less than 8%.

As at September 30, 2015 and the date of this MD&A, no independent evaluation of the Jincheng Gold Property has been completed and the letter of intent is non-binding.

The Jincheng Gold Property is contiguous with Majestic's Songjiagou property to the north and east. Jincheng mirrors the Songjiagou Gold Mine area geologically as both are situated in close proximity to major regional fault systems, the northeast trending Yazi fault zone and the northwest trending Tanjia fault zone. Both properties are predominantly underlain by Cretaceous aged conglomerate and related clastic sediments of the Laiyang Group near the basin margin.

QUALIFIED PERSON

Stephen Kenwood, President and CEO of Majestic, is the Company's qualified person ("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 ANNUAL INFORMATION

The following table presents audited selected financial information for the last three audited fiscal years:

	Year ended September 30, 2015 $	Year ended September 30, 2014 $	Year ended September 30, 2013 $
Revenue	22,595,313	23,816,403	26,410,668
Net loss	(6,328,834)	(7,308,886)	(5,863,555)
Net loss per share	(0.01)	(0.01)	(0.01)
Total assets	95,679,706	96,725,413	105,240,500
Total liabilities[(1)]	32,867,530	24,777,755	25,082,866
Dividends	-	-	-

(1) Total liabilities do not include deferred income.

SELECTED FINANCIAL INFORMATION

	Year ended September 30, 2015	Year ended September 30, 2014
Operating data		
Gold produced (ozs)	19,488	19,630
Gold realized, net of smelting fees (ozs)	17,986	18,320
Gold sold (ozs)	18,133	18,165
Average realized gold price ($/oz sold)	$ 1,235	$ 1,291
Total cash costs ($/oz sold) [(1)]	1,210	1,165
All-in sustaining costs ($/oz sold) [(1)]	1,411	1,499
Financial data		
Total revenues	$ 22,595,313	$ 23,816,403
Gross profit [(2)]	(1,824,830)	168,615
Net loss attributable to shareholders	(4,855,689)	(6,309,931)
Basic and diluted loss per share	(0.01)	(0.01)
Cash and cash equivalents	6,981,718	8,812,166
Total assets	95,679,706	96,725,413
Total debt	30,297,103	22,311,047

(1) "Total cash costs" are presented on a per ounce sold basis. See "Additional Non-IFRS Financial Measures" on page 19.
(2) "Gross profit" represents total revenues, net of cost of goods sold.

RESULTS OF OPERATIONS

Gold Production

	Year ended September 30, 2015	Year ended September 30, 2014
Production data		
Tonnes mined	1,673,484	1,714,722
Tonnes milled	1,578,797	1,628,609
Head grade (g/t)	0.43	0.42
Mill recovery	88.6%	88.2%
Gold produced (ozs)	19,488	19,630
Gold realized, net of smelting fees (ozs)	17,986	18,320

Total ore milled was 1.6 million tonnes with an average head grade 0.43 g/t in fiscal 2015, compared to 1.6 million tonnes milled with an average head grade of 0.42 g/t for the prior year.

Total gold produced for the year ended September 30, 2015, was 19,488 ounces compared to 19,630 ounces produced in the prior year.

Total gold realized was 17,986 ounces for the year ended September 30, 2015, compared to 18,320 ounces realized in the prior year.

Revenues

		Year ended September 30, 2015		Year ended September 30, 2014
Gold				
Ounces sold		18,133		18,165
Average realized price ($/oz)	$	1,235	$	1,291
Revenues				
Gold	$	22,395,034	$	23,453,959
Other revenue	$	200,279	$	362,444
	$	22,595,313	$	23,816,403

Gold sales revenue for the year ended September 30, 2015, was $22,395,034 from gold sales of 18,133 ounces at an average realized gold price of $1,235, compared to $23,453,959 from gold sales of 18,165 at an average realized gold price of $1,291 for the comparative year. The 4% decrease in gold sales revenue in fiscal 2015 is due to the decrease in the average realized gold price over the comparative year.

Revenues for the year ended September 30, 2015, also included $200,279 in revenue from an February 1, 2015 agreement, to which the Company is a party to, that allows a third party use of the tailings pond for a fee of CNY 5.5 per tonne of ore processed to a maximum of 1,500 tonnes per day.

Revenues for the year ended September 30, 2014, included mining lease revenue of $362,444 for the year ended September 30, 2014. The mining lease terminated in March 2014.

Cost of Goods Sold

		Year ended September 30, 2015		Year ended September 30, 2014
Ounces sold		18,133		18,165
Per ounce of gold sold (1)				
Cash costs	$	1,210	$	1,165
Production costs		1,347		1,302
Cost of Goods Sold				
Total cash costs	$	21,943,538	$	21,163,554
Total production costs		24,420,143		23,647,788

(1) See "Additional Non-IFRS Financial Measures" on page 19.

The cash costs per ounce were $1,210 for the year ended September 30, 2015, compared to $1,165 per ounce for the prior year.

The production costs per ounce were $1,347 for the year ended September 30, 2015, compared to $1,302 per ounce for the comparative year.

The 4% increase cash and production costs, in fiscal 2015, were due primarily to the increase in waste removal costs. Fiscal 2015 had a full 12 months of waste removal costs, compared to only 6 months in fiscal 2014 as the Company did not begin implementation of its grade control program until April 2014. The

Company expects the grade control program to allow for improvement of the average head grade, and thereby lowering the average cash and production costs per ounce.

Other Items

The more significant other items for the year ended September 30, 2015 and 2014 are discussed below.

G&A expenditures were $3,335,927 for the year ended September 30, 2015, which is a 42% decrease compared to $5,745,441 expended in the comparative year. The decrease reflects the positive impact of the Company's continued efforts of spending reductions implemented in fiscal 2014.

The details of the changes in general and administrative expenses for the years ended September 30, 2015 and 2014 are as follows:

	Year ended September 30, 2015 -$-	Year ended September 30, 2014 -$-
Consulting and management fees	705,174	2,245,547
Depreciation	252,196	199,752
Financial advisory services	-	60,480
Office and general	889,706	875,882
Professional fees	109,755	582,947
Salaries	925,938	945,455
Shareholder communications, transfer agent and filing fees	34,134	150,551
Travel	419,024	684,827
Total	3,335,927	5,745,441

Consulting and management fees, including director fees, totaled $705,174 for the year ended September 30, 2015 (2014 - $2,245,547). Consulting and management fees decreased by $1,540,373 over the comparative year. The 2014 comparative year includes a one-time severance payment of $1,000,000 paid, pursuant to a retirement agreement, to a company controlled by the Company's former President and Chief Executive Officer.

Professional fees were $109,755 for the year ended September 30, 2015 (2014 - $582,947). Professional fees decreased by $473,192 over the comparative year. Professional fees for the 2014 comparative year included legal and related fees in connection to the Concerned Shareholder Information Circular dated November 8, 2013, as well the legal fees surrounding the retirement of the Company's former President and Chief Executive Officer.

Travel costs were $419,024 for the year ended September 30, 2015 (2014 - $684,827). Travel costs are primarily related to the Company's attendance at investor conferences and meetings in Asia and Europe. The Company continues with spending reductions of travel as part of its cost savings efforts resulting in a decrease of $265,803 over the comparative year.

G&A 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 finance expense for the years ended September 30, 2015 and 2014 are as follows:

	Year ended September 30, 2015 -$-	Year ended September 30, 2014 -$-
Interest on loans	1,066,216	995,405
Interest on amount due to Dahedong	-	418,780
Accretion of asset retirement obligation	104,646	113,999
Total	1,170,862	1,528,184

Net loss for the year ended September 30, 2015, was $6,328,834 ($0.01 per share) compared to a loss of $7,308,866 ($0.01 per share) for the prior year.

SUMMARY OF QUARTERLY RESULTS

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

	September 30, 2015 -$-	June 30, 2015 -$-	March 31, 2015 -$-	December 31, 2014 -$-
Net revenues	$7,155,148	$2,787,430	$5,889,843	$6,762,892
Net loss	($3,990,750)	($1,137,335)	($639,042)	($1,161,707)
Net loss per share	($0.01)	($0.00)	($0.00)	($0.00)
	September 30, 2014 -$-	June 30, 2014 -$-	March 31, 2014 -$-	December 31, 2013 -$-
Net revenues	$3,688,996	$8,641,683	$7,614,531	$3,871,193
Net loss	($3,988,722)	($932,047)	($15,476)	($2,372,621)
Net loss per share	($0.01)	($0.00)	($0.00)	($0.00)

Significant variations in the net revenues periods is primarily due to variances is gold sales and metal prices.

Significant variations in the net loss between periods are primarily due to variations in gold sales, metal prices, production costs and general and administrative expenses.

FOURTH QUARTER

Majestic began the fourth quarter ended September 30, 2015, with $7,090,595 in cash and cash equivalents. During the three months ended September 30, 2015, the Company generated $1,967,667 through its operating activities, net of working capital changes, expended $504,989 on investing activities which was attributable to the purchase of property, plant and equipment and investment in gold futures, expended $1,393,351 on financing activities which was attributable to restricted cash on deposit and loan borrowing repayments, net of loan borrowings and, had a foreign exchange loss of $178,204, to end at September 30, 2015, with $6,981,718 in cash and cash equivalents.

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 September 30, 2015, the Company had cash and cash equivalents of $6,981,718 (September 30, 2014 - $8,812,166) and had a working capital deficit of $14,459,420 (September 30, 2014 - $8,300,208).

Majestic began the year ended September 30, 2015, with $8,812,166 in cash and cash equivalents. During the year ended September 30, 2015, the Company had expended $4,456,122 on operating activities, net of working capital changes, spent $570,351 on investing activities which was attributable to the purchase of property, plant and equipment and investment in gold futures, received $3,973,697 on financing activities which was attributable to loan borrowings, net of loan borrowing repayments and restricted cash on deposit, and had foreign exchange loss of $777,672, to end at September 30, 2015, with $6,981,718 in cash and cash equivalents.

Management considers its operating cash flows to be sufficient to cover the next twelve months to meet its planned exploration, development, operational activities, and its current outstanding debts. The Company has completed its mining and production facilities and is now dependent on achieving consistent profitable income from operations. Revenue and expenses should increase as production increases with the mill reaching full capacity. Should this not be achieved, the Company will continue to be dependent on raising additional funds to meet operational requirements and ultimately upon achieving profitable operations.

CAPITAL RESOURCES

At the date of this MD&A, the Company has 20,500,000 stock options at an exercise price CAD$0.20. All stock options will, if exercised, provide additional cash. At the date of this MD&A, the stock options outstanding are "out of the money".

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	Stock options
Outstanding at September 30, 2015 and at the date of this MD&A	839,765,216	20,500,000

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following related party transactions during the year ended September 30, 2015 and 2014:

	Year ended September 30, 2015 -$-	Year ended September 30, 2014 -$-
Consulting fees charged by companies controlled by directors and officers of the Company - includes key management personnel compensation	655,807	1,831,259
Mining and milling services charged by Dahedong	18,838,342	18,010,269
Interest charged by Dahedong	203,380	418,780
	19,697,529	20,260,308

Compensation of key management personnel

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

	Year ended September 30, 2015 - $ -	Year ended September 30, 2014 - $ -
Short-term employee benefits–management fees	254,592	369,840
Termination benefits-management fees	-	922,100
Director fees	169,687	163,139
	424,279	1,455,079

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 STANDARDS ADOPTED DURING THE YEAR

The Company adopted the following new accounting standards:

Amendments to IAS 32 "Financial Instruments: Presentation"

The amendment to IAS 32, Financial Instruments: Presentation requires that financial asset and financial liability should only be offset and the net amount reported when an entity has a legal enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this amendment has no effect on the Company's financial statements.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2015, and have not been applied in preparing these condensed consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

COMMITMENT AND CONTINGENCIES

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

OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2015, the Company had no off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Financial assets classified as fair value through profit or loss includes derivatives classified under investments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Financial assets classified as loans and receivables include cash and cash equivalents, restricted cash and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to- maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. Financial assets classified as available-for-sale includes marketable securities classified under investments.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date, being the date the Company commits to purchase the asset. The Company's non-derivative financial liabilities include accounts payable and loans payable.

Financial assets are derecognized when the right to receive cash flows from the investment has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

(i) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
(ii) Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
(iii) Level 3 – Inputs that are not based on observable market data.

The Company's cash and marketable securities are classified as level 1. The derivative is classified as level 2.

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 held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and China. The credit risk associated with cash held in Canada is reduced by management ensuring that the Company uses a major Canadian financial institution with strong investment grade ratings by a primary ratings agency. The credit risk associated with cash held in China is reduced, but not fully mitigated, by management using a financial institution that is operated by the Government of China.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in interest bearing accounts which are available on demand. Management believes the Company has sufficient cash on hand to finance operations for the next twelve months.

Industry Risk

The Company is a mining company with a property and mining operation 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 held in bank accounts that earn interest at variable interest rates. The Company's loans payable accrues interest at fixed rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of September 30, 2015.

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.

Other Price Risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk, price risk or foreign exchange risk.

The Company is exposed to changes in market prices as this can impact the value of its investments.

The Company is exposed to changes in the price of gold which affects its earnings and cash flows. Changes in the price of gold will impact the profits and resulting cash flows of the company and could potentially impact the classification and amounts of certain liabilities, most notably the asset retirement obligation.

As at September 30, 2015, the Company holds gold futures contract. However, the Company does not use derivative instruments to hedge or reduce its price risk to gold.

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 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 independent directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

RISKS AND UNCERTAINTIES

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors, including the price of gold, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

The following is a discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of the Company's operations and future financial performance.
Additional risks not currently known by the Company, or that the Company currently deems immaterial, may also impair the Company's operations.

Exploration and mining risks
Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access.

The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine it is impractical to commence or continue commercial production.

Reserves and resource estimates
The mineral and resources estimates disclosed in the Company's public filings are only estimates and no assurances can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual gold recoveries may exceed or fall short of projected laboratory test results. As stated previously, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under onsite conditions or in production scale operations. Material changes in proven and probable reserves or resource grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources disclosed in the Company's public filings should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering. The Company believes these experts are competent and that they have carried out their work in accordance with internationally recognized standards. If, however, the work conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

The Company's production decision was not based on a feasibility study of mineral reserves demonstrating economic and technical viability. The Company's production decision was made based on the open pit optimization resource model set out in a PEA, which takes into account the relatively low mining costs negotiated by the Company. The pit optimization that was conducted in the preliminary assessment generated a production schedule summary at grade cut-off of 0.30 gram per tonne Au.

The Songjiagou Gold Project resource estimate was carried out using industry-standard procedures and a geological interpretation of the deposit that, to the extent possible, reflected observations of grade distributions. Modeling of the deposit is uncertain, however, because it is difficult to establish with a high level of confidence the area of influence of higher-grade gold values. The risk remains, therefore, that the geological model may overstate the distribution of high-grade gold values. If future mining demonstrates that this is in fact the case, then the model may overstate anticipated gold grades. Because the probability of this outcome is unknown, the level of uncertainty must also be unknown.

Foreign countries, laws and regulations
The Company operates primarily 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.

Commodity prices
The profitability of the Company's operations, if established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewelry demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production of the Company's properties to become impracticable.

The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold. The prices of these commodities are affected by numerous factors beyond the Company's control.

A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares.

Environmental compliance and other regulatory requirements
Any significant mining operation will have some environmental impact, including land and habitat impact, arising from the use of land for mining and related activities, and certain impact on water resources near the project sites, resulting from water use, rock disposal and drainage run-off. The current exploration and mining activities of the Company require permits from various governmental authorities and such operations are, and will be, governed by laws and regulations governing exploration, mining, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration and mining activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits the Company may require for exploration, development and mining will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project the Company may undertake.

The Company's operations are subject to local laws and regulations regarding environmental matters, which generally provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving towards stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. An environmental assessment of a proposed project carries a heightened degree of responsibility for companies and their directors, officers and employees.

Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing laws or regulations could harm the Company. The Company cannot predict how agencies or courts in foreign countries will interpret existing laws and regulations or the effect these adoptions and interpretations may have on the Company's business or financial condition.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there-under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and mining operations may be required to compensate those suffering loss or damage by reason of the exploration and mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

No assurances can be given that such environmental and compliance issues will not have a material adverse effect on the Company's operations in the future. While the Company believes it does not currently have any material environmental obligations, the cost of complying with existing regulations or changes in governmental regulations have the potential to reduce the profitability of operations, may give rise in the future to significant liabilities on the Company's part to the government and third parties, and may require the Company to incur substantial costs of remediation.

Insurance and uninsured risks
The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts it considers reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on key personnel
The success of the Company will be largely dependent upon the performance of its key officers, employees and consultants. Local mineral deposits and mining operations depend on a number of factors, not the least of which is the technical skill of the exploration and mining personnel involved. The success of the Company is largely dependent on the performance of its key personnel. Failure to retain key personnel or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Property interests
The ability of the Company to carry out successful mineral exploration, development activities and mining operations is dependent, in part, on the Company's ability to acquire and maintain title to its mineral interests. No guarantee can be given that the Company will be in a position to comply with the obligations that this requirement entails, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed.

Furthermore, at any point in time certain of the Company's mineral interests may be the subject of contractual promises to assign, pursuant to which a third party has agreed to assign to the Company, or to an entity in which the Company holds its interest in the applicable property, certain licenses and/or concession contracts upon the issuance of such licenses or concession contracts by the mining registry to the promising party. The failure of a promising party to comply with its contractual obligation could have a materially adverse impact on the Company's interests in the license or concession.
The acquisition of the right to exploit, develop and/or mine its mineral properties is a detailed and time-consuming process. Although the company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its mineral reserves on its mineral interests, there can be no

assurances the interest in the Company's properties is free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. There can be no assurances the Company's rights will not be challenged or impugned by third parties, that the Company's interests in properties may be subject to prior unregistered agreements, or that transfers and title may be affected by undetected defects.

ADDITIONAL NON-IFRS FINANCIAL MEASURES

The Company has included additional financial performance measures in this MD&A, such as total cash costs, and total production costs, on a per gold ounce basis. The Company reports total cash and production costs on a sales 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.

"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, amortization 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, 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 tables provide reconciliation to the consolidated financial statements of total cash costs per ounce, and total production costs per ounce:

		Year ended September 30, 2015		Year ended September 30, 2014
Gold sold (ozs)		18,133		18,165
Total cash costs per ounce				
Contractor costs paid to Dahedong	$	18,838,342	$	18,010,269
Smelting costs		533,466		502,708
Resource taxes		1,417,552		1,431,395
Other direct costs		1,007,400		1,200,315
Changes in ending inventory		146,778		18,867
Total cash costs	$	21,943,538	$	21,163,554
Per ounce sold	$	1,210	$	1,165
Total production costs per ounce				
Total cash costs	$	21,943,538	$	21,163,554
Depreciation		2,476,605		2,484,234
Total production costs	$	24,420,143	$	23,647,788
Per ounce sold	$	1,347	$	1,302

All-in sustaining costs per ounce				
Total cash costs	$	21,943,538	$	21,163,554
General and administrative, net of depreciation		3,083,731		5,745,441
Sustaining capital expenditures (1)		560,087		323,017
All-in sustaining costs	$	25,587,356	$	27,232,012
Per ounce sold	$	1,411	$	1,499

(1) Sustaining capital expenditures are those expenditures which do not increase annual gold 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 and Songjiagou Gold Mine costs to the Company's total property, plant and equipment additions as reported in the consolidated statements of cash flows:

Additions to property, plant and equipment				
Songjiagou Gold Mine	$	1,995,555	$	1,716,450
Sustaining capital expenditures		560,087		323,017
	$	2,555,642	$	2,039,467

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, labour 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 September 30, 2015, 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.