CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2019

(Expressed in US dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Majestic Gold Corp.

Opinion

We have audited the consolidated financial statements of Majestic Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019, September 30, 2018 and October 1, 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the fifteen-month period ended December 31, 2019 and the year ended September 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, September 30, 2018 and October 1, 2017, and its financial performance and its cash flows for the fifteen-month period ended December 31 2019 and the year ended September 30, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 4 to the financial statements, which explains that certain comparative information presented for the year ended September 30, 2018 and as at October 1, 2017 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

July 20, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

Majestic Gold Corp.
Consolidated Statements of Financial Position
(Expressed in US dollars)

	Note	December 31, 2019 - $ -	September 30, 2018 (restated Note 4) - $ -	October 1, 2017 (restated Note 4) - $ -
ASSETS				
Current assets				
Cash	*5*	23,918,724	18,842,863	10,227,054
Receivables	*6*	15,489	517,542	1,886,992
Deposits and prepaid expenses	*7*	1,602,153	319,726	84,669
Inventory	*8*	4,360,466	3,117,950	1,573,339
Restricted cash	*12*	-	3,932,134	2,404,388
		29,896,832	26,730,215	16,176,442
Reclamation deposits	*7*	1,338,400	1,427,168	985,102
Property, plant and equipment	*9*	66,071,097	73,910,636	71,018,159
Exploration and evaluation assets	*10*	22,245	2	2
Deferred tax assets	*22*	1,354,163	756,287	1,215,935
		98,682,737	102,824,308	89,395,640
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	*11*	10,760,789	12,785,683	21,767,548
Deferred revenue		-	-	2,009,575
Income taxes payable		697,644	781,861	1,046,076
Loans payable	*12*	12,937,035	17,057,959	16,944,078
		24,395,468	30,625,503	41,767,277
Asset retirement obligation	*14*	3,057,207	2,451,862	2,442,059
Security deposit for financial guarantee	*13*	-	1,456,346	2,254,114
Other long-term liabilites	*20*	1,476,575	1,621,858	1,666,535
		28,929,250	36,155,569	48,129,985
EQUITY				
Share capital	*15*	123,005,743	123,005,743	105,995,607
Reserves	*15*	7,407,198	8,178,155	11,193,768
Deficit		(65,835,781)	(68,118,556)	(75,725,872)
Equity attributable to owners of parent		64,577,160	63,065,342	41,463,503
Equity attributable to non-controlling interests	*21*	5,176,327	3,603,397	(197,848)
Total equity		69,753,487	66,668,739	41,265,655
		98,682,737	102,824,308	89,395,640

Nature of operations	*1*
Commitments	*10, 20*
Contingencies	*13*
Subsequent events	*23*

Approved by the Directors:
"John Campbell"
"Stephen Kenwood"

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

Majestic Gold Corp.
Consolidated Statements of Comprehensive Income
(Expressed in US dollars)

	Note	Fifteen-month period December 31, 2019 - $ -	Year ended September 30, 2018 (restated Note 4) - $ -
Gold revenue	*18*	40,373,301	33,462,929
Cost of sales			
Operating expenses	*18*	20,127,897	16,073,609
Depreciation and depletion	*9,18*	7,838,818	3,608,779
Gross profit		12,406,586	13,780,541
General and administrative	*18*	4,575,751	3,184,224
Profit before other items		7,830,835	10,596,317
Other items			
Finance expense	*18*	1,297,896	951,024
Finance income		(252,206)	(339,628)
Foreign exchange loss (gain)		(514)	174,882
Other expenses (income)		953,699	(195,265)
Gain on reversal of account payables	*16*	(933,541)	(4,972,746)
		1,065,334	(4,381,733)
Net income before income tax		6,765,501	14,978,050
Income tax expense	*22*	2,500,019	3,056,356
Net income for the year		4,265,482	11,921,694
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of parent		(123,973)	(212,511)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(815,200)	(2,019,391)
Total other comprehensive income (loss) for the year		(939,173)	(2,231,902)
Total comprehensive income for the year		3,326,309	9,689,792
Net income for the year attributable to:			
Owners of the parent		2,365,181	7,954,447
Non-controlling interests		1,900,301	3,967,247
		4,265,482	11,921,694
Comprehensive income for the year attributable to:			
Owners of the parent		1,511,818	5,888,547
Non-controlling interest		1,814,491	3,801,245
		3,326,309	9,689,792
Income per share attributable to owners of the parent- basic and diluted		0.00	0.01
Weighted average number of common shares outstanding - basic and diluted		1,047,726,381	963,534,002

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

Majestic Gold Corp.
Consolidated Statements of Changes in Equity
(Expressed in US dollars)

			Attributable to owners of the parent							
	Note	Number of shares	Share capital - $ -	Share-based payment reserve - $ -	Special Reserve (Restated) - $ -	Foreign currency translation reserve - $ -	Deficit (Restated) - $ -	Total (Restated) - $ -	Non-controlling interest (Restated) - $ -	Total equity (Restated) - $ -
Balance,October 1, 2017		912,265,216	105,995,607	12,889,899	-	(1,696,131)	(75,725,872)	41,463,503	(197,848)	41,265,655
Shares issued on financing	*15*	64,724,919	7,729,126	-	-	-	-	7,729,126	-	7,729,126
Shares issued as finder's fee	*15*	3,236,246	128,819	-	-	-	-	128,819	-	128,819
Warrants exercised		67,500,000	9,308,368	(1,296,844)	-	-	-	8,011,524	-	8,011,524
Shares issue costs	*15*	-	(156,177)	-	-	-	-	(156,177)	-	(156,177)
Safety production cost		-	-	-	330,524	16,607	(347,131)	-		-
Comprehensive income										
Net income for the year		-	-	-	-	-	7,954,447	7,954,447	3,967,247	11,921,694
Other comprehensive loss		-	-	-		(2,065,900)	-	(2,065,900)	(166,002)	(2,231,902)
Total comprehensive income for the year		-	-	-	-	(2,065,900)	7,954,447	5,888,547	3,801,245	9,689,792
Balance, September 30, 2018		1,047,726,381	123,005,743	11,593,055	330,524	(3,745,424)	(68,118,556)	63,065,342	3,603,397	66,668,739

			Attributable to owners of the parent							
	Note	Number of shares	Share capital - $ -	Share-based payment reserve - $ -	Special Reserve - $ -	Foreign currency translation reserve - $ -	Deficit - $ -	Total - $ -	Non-controlling interest - $ -	Total equity - $ -
Restated balance, September 30, 2018		1,047,726,381	123,005,743	11,593,055	330,524	(3,745,424)	(68,118,556)	63,065,342	3,603,397	66,668,739
Safety production cost		-	-	-	76,884	5,522	(82,406)	-	-	-
Other adjustment to non-controlling interest		-	-	-	-	-	-	-	(241,561)	(241,561)
Comprehensive income										
Net income for the period		-	-	-	-	-	2,365,181	2,365,181	1,900,301	4,265,482
Other comprehensive loss		-	-	-	-	(853,363)	-	(853,363)	(85,810)	(939,173)
Total comprehensive income for the period		-	-	-	-	(853,363)	2,365,181	1,511,818	1,814,491	3,326,309
Balance, December 31, 2019		1,047,726,381	123,005,743	11,593,055	407,408	(4,593,265)	(65,835,781)	64,577,160	5,176,327	69,753,487

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

Majestic Gold Corp.
Consolidated Statements of Cash Flows
(Expressed in US dollars)

	Fifteen-month period December 31, 2019	Year ended September 30, 2018 (restated Note 4)
	- $ -	- $ -
Cash provided from (used for):		
Operating activities:		
Net income for the year	4,265,482	11,921,694
Items not involving cash:		
Depreciation and depletion	7,985,684	3,895,348
Finance expense	1,297,896	951,024
Safety production reserve		
Income tax expense	2,500,019	3,056,356
Loss on equipment disposal	40,695	-
Gain on reversal of accounts payable and accrued liabilities	(933,541)	(4,972,745)
Write-down of exploration and evaluation assets	2	-
Changes in non-cash working capital balances:		
Receivables	502,053	1,369,450
Deposits and prepaid expenses	(1,282,427)	(235,057)
Inventory	(1,299,082)	(888,612)
Accounts payable and accrued liabilities	(967,629)	(4,862,633)
Deferred revenue	-	(2,009,575)
Effect of foreign exchange on working capital	101,913	395,631
Income tax paid	(3,187,640)	(2,933,450)
Interest paid	(952,292)	(1,174,857)
Net cash provided from operating activities	8,071,133	4,512,574
Investing activities:		
Expenditures on property, plant and equipment	(1,133,733)	(9,062,802)
Proceeds on sale of equipment	69,175	-
Exploration and evaluation assets	(22,245)	-
Reclamation deposits	68,567	(496,220)
Net cash used for investing activities	(1,018,236)	(9,559,022)
Financing activities:		
Restricted cash	3,908,399	(1,682,472)
Private placement (net of share issue costs)	-	7,701,768
Warrants exercised	-	8,011,524
Deposit on loan guarantee	(1,447,555)	(764,760)
Lease payments	(30,187)	(14,003)
Village distributions	(189,847)	(113,613)
Loan advances	24,608,436	21,237,381
Loan repayments	(28,516,835)	(20,189,660)
Net cash provided from (used for) financing activities	(1,667,589)	14,186,165
Effect of foreign exchange on cash	(309,447)	(523,908)
Net increase in cash	5,075,861	8,615,809
Cash, beginning	18,842,863	10,227,054
Cash, ending	23,918,724	18,842,863

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

1. Nature of operations

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

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

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At December 31, 2019, the Company has a working capital of $5,501,364. In the opinion of the directors, the Company will have necessary funds to finance its working capital and capital expenditure requirements for the next twelve months following December 31, 2019 based on the consideration that the Company is expected to remain profitable and continue to generate operating cash inflow from its future business operations.

2. Basis of preparation and significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 1, Presentation of Financial Statements ("IAS 1") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued and outstanding as at July 20, 2020, the date the board of directors approved these consolidated financial statements for issue.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in US dollars unless otherwise noted.

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

Basis of consolidation

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

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

	Country of incorporation	Percentage as at December 31, 2019	Percentage as at September 30, 2018
Sinogold Resources Holdings Group Co. Ltd	Cayman Island	94%	-
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

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

Use of estimates

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

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

a) The useful lives of property, plant and equipment

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

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

b) Asset retirement obligation

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

c) Impairment of the Company's mining assets

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

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

The Company has concluded that, as at December 31, 2019, there are no indicators of impairment of the Company's mining properties and related assets.

d) Other significant estimates

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

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

Use of judgments

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

a) The determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company and Majestic Yantai Gold Ltd. is the Canadian dollar, the functional currency of Sinogold Resources Holdings Group Co., Ltd is the Hong Kong dollar and the functional currency of Yantai Zhongjia Mining Inc. and all other of the Company's Chinese subsidiaries is the CNY; and

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

Foreign currency translation

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

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

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

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

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs to repair or enhance are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis.

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

The Company's mineral properties are amortized over the estimated life of the mine using the UOP basis based on the recoverable ounces from the indicated resources or probable reserves. Depreciation of plant and equipment is calculated on the straight-line basis over its estimated useful life.

The estimated useful lives of plant and equipment are as follows:

Buildings	20 years
Machinery	5 to 20 years
Motor Vehicles	5 years
Office furniture and equipment and other devices	5 years

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP basis based on recoverable ounces from the indicated resources.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales of proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Mineral properties

Mining properties include acquisition costs, costs previously capitalized during the exploration and evaluation stage, mine development costs and certain mining infrastructure. Mining properties are stated at cost less accumulated depreciation and are accounted for on an individual project basis. When production commences, these costs are amortized using the UOP method, based on recoverable ounces from the indicated resources or probable reserves.

Leased Assets

The Company early adopted, on a retrospective basis, the new accounting standard IFRS 16 Leases ("IFRS 16"), which replaced IAS 17 Leases (Note 4).

The Company assesses at the time of agreement whether an agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

Leasehold land	30 years
Office Lease	3 years

If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Exploration and evaluation expenditures
Exploration and evaluation expenditures incurred prior to the Company obtaining a legal right to explore or that do not relate to any specific property are expensed as incurred. Costs incurred subsequent to the Company obtaining a legal right to explore, including the cost of acquiring, maintaining its interest, exploring and developing mineral properties, are capitalized as exploration and evaluation assets until the technical feasibility and commercial viability are established, or the property is abandoned, sold or considered to be impaired in value. When the technical feasibility and commercial viability of a property is established, exploration and evaluation expenditures are reclassified to mineral properties within property, plant and equipment. If no minable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Stripping costs
Stripping activity consist of removing mine waste materials to gain access to the mineral ore deposits. To the extent that it is probable that the stripping activity will improve the access to an identifiable ore body, costs incurred that relate to the stripping activity are capitalized to the mining asset, provided that the costs can be measured reliably. Costs that are incurred when performing stripping activity that provides benefit in the form of inventory produced is included in the cost of inventory. To date, all stripping costs have been included in the cost of inventory.

Borrowing costs
Borrowing costs attributable to the acquisition or construction of qualifying assets that take a substantial period of time to make ready for their intended use are added to the cost of the assets, until such time as the assets are substantially complete and ready for their intended use. All other borrowing costs are expensed in the period in which they are incurred.

Asset retirement obligations
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of the asset retirement obligation estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the asset retirement obligation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. Accretion expense, representing the increase in the provision due to the passage of time, is recorded in finance costs in the statement of comprehensive income.

The Company's estimates of asset retirement obligations could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for mineral property interests.

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

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and is expected to generate taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) of the applicable jurisdiction that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Impairment of assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and its value in use. In assessing fair value or value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

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

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recorded over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income per share

Basic income per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income attributable to common shareholders equals the reported income attributable to owners of the Company.

Diluted income per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented the exercise price of the outstanding options and warrants was higher than the weighted average share price and therefore diluted income per share equals basic income per share.

Financial instruments

Effective October 1, 2018, the Company adopted IFRS 9 *Financial Instruments* (Note 3).

Financial assets

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.

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

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).

The Company retrospectively adopted IFRS 9. The adoption had no impact on the amounts recognized in the Company's financial statements.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.
Inventories consist of:

- Gold concentrate inventories and ore stockpiles which are stated at the lower of weighted average cost and net realizable value.
- Raw Materials which includes the cost of consumables used in operations are stated at the lower of weighted average cost and replacement cost which approximates net realizable value.

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Restricted Cash

Restricted cash consists of deposits held as security for a series of banker's acceptance notes which are held with the financial institution issuing the notes.

Revenue recognition

Revenue from contracts with customers

Effective October 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers* (Note 3).

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Revenue from other sources

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

3. New accounting standards, interpretations and amendments

(a) Adoption of new accounting standards, interpretations and amendments

IFRS 16 Leases
IFRS 16 *Leases*, which replaced IAS 17 *Leases*, is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of low-value assets; and short-term leases. For those assets determined to meet the definition of a lease, at the commencement date, a lessee recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17.

During fiscal 2019, the Company has early adopted IFRS 16, using the retrospective basis approach and as required by IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been made retrospectively and comparatives have been restated accordingly to all periods presented, as if the policy had always been applied. See Note 4.

IFRS 9 *Financial Instruments*
IFRS 9 *Financial Instruments,* which replaces IAS 39 Financial Instruments: Recognition and Measurement, is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. New disclosure requirements are also required.

The Company adopted this standard effective October 1, 2018. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption, although it was determined that the adoption of IFRS 9 had no impact on the comparative period's consolidated financial statements. Upon the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments as detailed in Note 2.

The Company completed an assessment of its financial assets and liabilities and determined the adoption of IFRS 9 had no quantitative impact on the Company's financial instruments and the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 *Revenue from Contracts with Customers*, which is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognize revenue: at a point in time or over time. The model features a contract based on five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount or timing of revenue recognized.

The Company has early adopted IFRS 15 on a retrospective basis. The Company completed an assessment of the effect of adopting IFRS 15 and determined the point in time of the initial recognition of revenue of the Company's then-effective contracts with customers remained the same upon adoption of IFRS 15. Therefore, the Company determined the adoption of IFRS 15 did not have a quantitative impact on revenue and on the consolidated financial statements. Upon the adoption of IFRS 15, the Company has changed its accounting policy for revenue recognition as detailed in Note 2.

3. New accounting standards, interpretations and amendments (continued)

(b) New accounting standards, interpretations and amendments issued not yet applied

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of December 31, 2019, in preparing these consolidated financial statements.

IFRS 3 *Business Combinations Amendments*

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations*. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments are effective for annual periods beginning on or after January 1, 2020. The Company does not expect the adoption of these amendments to IFRS 3 will have a significant impact on its consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

International Financial Reporting Interpretations Committee ("IFRIC") 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 is effective of annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of IFRIC 23 will have a significant impact on its consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in US dollars)

4. Restatement

The Company's consolidated financial statements have been restated to reflect certain changes in accounting treatment. In accordance with IAS 8, *Accounting policies, changes in accounting estimates and errors* IAS 1 *Presentation of the financial statements,* the Company's financial statements have been restated as at October 1, 2017 and September 30, 2018.

The impact of these adjustments on the consolidated statement of financial position as at September 30, 2018 is as follows:

	As previously reported - $ -	Note	Adjustment - $ -	Restated - $ -
ASSETS				
Current assets				
Cash	18,842,863		-	18,842,863
Receivables	517,542		-	517,542
Deposits and prepaid expenses	528,707	g)	(208,981)	319,726
Inventory	3,117,950		-	3,117,950
Restricted cash	3,932,134		-	3,932,134
	26,939,196		(208,981)	26,730,215
Reclamation deposits	1,427,168		-	1,427,168
Property, plant and equipment	95,277,103	d), e), f), g), i)	(21,366,467)	73,910,636
Exploration and evaluation assets	2		-	2
Deferred tax assets	-	k)	756,287	756,287
	123,643,469		(20,819,161)	102,824,308
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	11,325,568	b), g), j)	1,460,117	12,785,685
Deferred revenue	-		-	-
Income taxes payable	798,519	k)	(16,659)	781,860
Loans payable	17,057,959		-	17,057,959
	29,182,046		1,443,458	30,625,504
Asset retirement obligation	2,451,862		-	2,451,862
Security deposit for financial guarantee	1,456,346		-	1,456,346
Deferred tax liabilities	1,693,269	k)	(1,693,269)	-
Other long-term liabilites		c), i)	1,621,857	1,621,857
	34,783,523		1,372,046	36,155,569
EQUITY				
Share capital	123,005,743		-	123,005,743
Reserves	7,055,486	j), l)	1,122,669	8,178,155
Deficit	(59,836,126)		(8,282,430)	(68,118,556)
Equity attributable to owners of parent	70,225,103		(7,159,761)	63,065,342
Equity attributable to non-controlling interests	18,634,843	h), l)	(15,031,446)	3,603,397
Total equity	88,859,946		(22,191,207)	66,668,739
	123,643,469		(20,819,161)	102,824,308

(Expressed in US dollars)

4. Restatement (continued)

The impact of these adjustments on the consolidated statement of financial position as at October 1, 2017 is as follows:

	As previously reported - $ -	Note	Adjustment - $ -	Restated - $ -
ASSETS				
Current assets				
Cash	10,227,054		-	10,227,054
Receivables	1,886,992		-	1,886,992
Deposits and prepaid expenses	301,071	g)	(216,402)	84,669
Inventory	1,573,339		-	1,573,339
Restricted cash	2,404,388		-	2,404,388
	16,392,844		(216,402)	16,176,442
Reclamation deposits	985,102		-	985,102
Property, plant and equipment	88,348,473	e), f), g)	(17,330,314)	71,018,159
Exploration and evaluation assets	2		-	2
Deferred tax assets	-	k)	1,215,935	1,215,935
	105,726,421		(16,330,781)	89,395,640
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	11,555,868	b), g), h), j)	10,211,680	21,767,548
Deferred revenue	2,009,575		-	2,009,575
Income taxes payable	939,079	k)	106,997	1,046,076
Loans payable	16,944,078		-	16,944,078
	31,448,600		10,318,677	41,767,277
Asset retirement obligation	2,442,059		-	2,442,059
Security deposit for financial guarantee	2,254,114		-	2,254,114
Deferred tax liabilities	462,323	k)	(462,323)	-
Other long-term liabilities	-	c)	1,666,535	1,666,535
	36,607,096		11,522,889	48,129,985
EQUITY				
Share capital	105,995,607		-	105,995,607
Reserves	10,564,392	l)	629,376	11,193,768
Deficit	(64,233,216)		(11,492,656)	(75,725,872)
Equity attributable to owners of parent	52,326,783		(10,863,280)	41,463,503
Equity attributable to non-controlling interests	16,792,542	h), l)	(16,990,390)	(197,848)
Total equity	69,119,325		(27,853,670)	41,265,655
	105,726,421		(16,330,781)	89,395,640

(Expressed in US dollars)

4. Restatement (continued)

The impact of these adjustments on the consolidated statement of comprehensive income for the year ended September 30, 2018 is as follows:

	As previously reported - $ -	Note	Adjustment - $ -	Restated - $ -
Gold revenue	33,804,198	a)	(378,856)	33,425,342
Cost of sales				
Operating expenses	16,652,084	b), c), d)	(578,475)	16,073,609
Depreciation and depletion	4,105,781	e)	(497,002)	3,608,779
Gross profit	13,046,333		696,621	13,742,954
General and administrative	3,181,094	b), i)	3,130	3,184,224
Profit before other items	9,865,239		693,491	10,558,730
Other items				
Finance expense	888,130	c), i)	62,894	951,024
Finance income	(372,739)	j)	33,111	(339,628)
Foreign exchange loss (gain)	174,882		-	174,882
Other expenses (income)	194,488	a), j)	(427,340)	(232,852)
Gain on reversal of account payables	(1,943,166)	h)	(3,029,580)	(4,972,746)
	(1,058,405)		(3,360,915)	(4,419,320)
Net income before income tax	10,923,644		4,054,406	14,978,050
Income tax expense	4,047,226	k)	(990,870)	3,056,356
Net income for the year	6,876,418		5,045,276	11,921,694
Other comprehensive income (loss)				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation of parent	(212,511)		-	(212,511)
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translating foreign operations	(2,636,578)		617,187	(2,019,391)
Total other comprehensive income (loss) for the year	(2,849,089)		617,187	(2,231,902)
Total comprehensive income for the year	4,027,329		5,662,463	9,689,792
Net income for the year attributable to:				-
Owners of the parent	4,397,090		3,557,357	7,954,447
Non-controlling interests	2,479,328		1,487,919	3,967,247
	6,876,418		5,045,276	11,921,694
Comprehensive income for the year attributable to:				
Owners of the parent	2,185,028		3,703,519	5,888,547
Non-controlling interest	1,842,301		1,958,944	3,801,245
	4,027,329		5,662,463	9,689,792
Income per share attributable to owners of the parent	0.01		-	0.01

Details of the adjustments are as follows:

a) Income of $378,856 earned from the sale of tailings was reclassified from revenue to other income as it was incidental to the main revenue generating activities.

b) Additional amounts for social insurance and related taxes were accrued. This resulted in an increase in accounts payable and accrued liabilities of $336,607 and $410,443 as at September 30, 2018 and October 1, 2017, respectively, and a reduction to the 2018 operating expenses and general and administrative expense of $67,924 and 3,687, respectively.

4. Restatement (continued)

c) Pursuant to investment agreements signed in prior years, the Company is required to make annual payments to certain individuals registered as villagers in the village adjacent to the Songjiagou Gold Mine. Previously, these annual payments were recognized as an operating expense. The Company has now recognized a liability for the present value of the future payments required under the investment agreements. This resulted in an increase in other long-term liabilities of $1,566,258 and $1,666,535 at September 30, 2018 and October 1, 2017, respectively, and a decrease in operating expense of $113,613 and an increase in finance expense of $62,336.

d) Certain expenditure during 2018 on the Company's tailings facility that were previously charged to operating expenses were determined to be capital in nature. This resulted in a decrease in operating expenses of $396,938 and an increase property, plant and equipment of $377,948.

e) The Company determined that its historical depreciation of certain assets using the UOP basis should have been depreciated on a straight-line basis to better reflect the time pattern of the Company's benefit. This included the Company's leased land as well as certain related plant and equipment. The impact of this change was a decrease in property, plant and equipment as at September 30, 2018 and October 1, 2017 of $4,555,376 and $5,188,803, respectively, and a decrease in depreciation and depletion expense of $497,002.

f) In 2010, the Company's 94% owned subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai") acquired an additional 15% economic interest in Yantai Zhongjia Mining Inc. ("Zhongjia") which owns the Songjiagou Gold Mine as well the acquisition of certain mining assets through the issuance of the Company's common shares. The Company had previously recorded the acquisition as an addition to the mining rights. The Company has now accounted for the transaction as the acquisition of mining assets and an adjustment to the non-controlling interest. The impact of the adjustment was a decrease to property, plant and equipment as at September 30, 2018 and October 1, 2017 of $969,724 and $1,000,617, respectively.

g) The Company had previously capitalized the costs associated with the relocation of villages ("Relocation Costs") as part of property, plant and equipment. The Company has since determined that the Relocation Costs should be considered operational costs as the Relocation Costs were not necessary for the Company's mine to operate in the manner intended by management. The Company has revised their accounting to record a provision for Relocation Costs at the time a commitment was made to relocate the villagers with a corresponding expense. The commitments were made prior to October 1, 2017. The impact of this adjustment as at September 30, 2018 was a decrease in property, plant and equipment of $16,274,914, a decrease in deposits and prepaid expenses of $208,981 and an increase in accounts payable and accrued liabilities of $1,380,044. The impact of this adjustment as at October 1, 2017 was a decrease in property, plant and equipment of $11,140,894, a decrease in deposits and prepaid expenses of $216,402 and an increase in accounts payable and accrued liabilities of $7,075,754.

h) The Company determined that certain contributions made or accrued to Zhongjia by Majestic Yantai and the non-controlling interest holder Yantai Dahedong Processing Co. Ltd. ("Dahedong") were in the form of loans rather than capital contributions. The impact of this reclassification as at October 1, 2017 was an increase in accounts payable and accrued liabilities of $3,024,175 and a reduction to non-controlling interest of $10,334,421. The impact of this reclassification as at September 30, 2018 and for the year then ended was a reduction to non-controlling interest of $9,469,002 and an increase in gain on reversal of accounts payable of $3,029,580.

i) The Company adopted IFRS 16 retrospectively. Substantially all of the Company's leases related to land leases where the full consideration was paid at the commencement of the lease and were already included within property, plant and equipment and therefore the adoption of IFRS 16 had no impact on the accounting treatment of these leases. The Company entered into an office lease during the year ended September 30, 2018 which resulted in the recognition of an ROU asset and liability at September 30, 2018 of $55,599.

j) The Company made certain other miscellaneous adjustments and reclassifications. The impact of these adjustments as at September 30, 2018 and the year then ended was a reduction to accounts payable and accrued liabilities of $256,534, a decrease in finance income of $33,111, a decrease in other expense of $48,484 and an increase in the special reserve of $330,524. The impact of these adjustments as at October 1, 2017 was a reduction to accounts payable and accrued liabilities of $298,692.

(Expressed in US dollars)

4. Restatement (continued)

k) The tax impact of the adjustments as at September 30, 2018 and the year then ended was an increase in deferred tax assets of $756,287, a decrease in deferred tax liabilities of $1,693,269, a decrease in income taxes payable of $16,659 and a decrease in income tax expense of $990,870. The tax impact of the adjustments as at October 1, 2017 was an increase in deferred tax assets of $1,215,935, a decrease in deferred tax liabilities of $462,323 and an increase in income taxes payable of $106,997.

l) As a consequence of the above adjustments, there was a further decrease in non-controlling interest of $5,562,444 and $6,655,969 as at September 30, 2018 and October 1, 2017, respectively, and an adjustment to the foreign currency translation reserve of $792,145 and $692,376 as at September 30, 2018 and October 1, 2017, respectively.

The restatement impacted the classification of certain items within the consolidated statement of cash flows for the year ended September 30, 2018 as follows:

	As previously reported - $ -	Adjustment - $ -	Restated - $ -
Net cash provided by operating activities	9,816,387	(5,303,813)	4,512,574
Net cash used for investing activities	(14,990,451)	5,431,429	(9,559,022)
Net cash provided by financing activities	14,313,781	(127,616)	14,186,165
Effect of foreign exchang on cash	(523,908)	-	(523,908)
Net increase in cash	8,615,809	-	8,615,809
Cash, beginning	10,227,054		10,227,054
Cash, ending	18,842,863	-	18,842,863

5. Cash

At December 31, 2019, cash of $19,171,672 is held in China and is subject to local exchange control regulations. Chinese exchange control regulations provide for restrictions on exporting capital from China, other than through normal dividends.

6. Receivables

		December 31, 2019		September 30, 2018
Sales taxes receivable	$	6,751	$	21,753
Other receivables		8,738		495,789
Total	$	15,489	$	517,542

7. Deposits and prepaid expenses

		December 31, 2019		September 30, 2018 (restated)
Current:				
Prepayment for mining supplies and services	$	274,880	$	293,678
Rent deposit		6,738		12,950
Other prepayments and deposits		1,320,535		13,098
		1,602,153		319,726
Non-current:				
Reclamation deposits		1,338,400		1,427,168
Total	$	2,940,553	$	1,746,894

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

(Expressed in US dollars)

8. Inventory

	December 31, 2019	September 30, 2018
Gold concentrate	$ 1,999,886	$ 1,099,097
Ore stockpile	1,578,398	939,210
Raw material	782,181	1,079,643
Total	$ 4,360,465	$ 3,117,950

9. Property, plant and equipment

Songjiagou Gold Mine

The Company's principal mining property is the Songjiagou Gold Mine located in the Shandong Province of China. The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011. The Company's mining permit for the Songjiagou Gold Mine has been renewed and is valid until May 17, 2031. The Songjiagou Gold Mine is owned by the Company's subsidiary, Yantai Zhongjia Mining Inc. ("Zhongjia"). The Company's interest in Zhongjia is held through its indirect 94% ownership of its subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai"). Majestic Yantai holds 75% of the shares of Zhongjia. The remaining 25% of Zhongjia is held by Yantai Dahedong Processing Co. Ltd. ("Dahedong").

Songjiagou North Underground Mine

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

As at December 31, 2019, September 30, 2018 and October 1, 2017, Right-of-use Assets included prepaid land leases and building leases.

(Expressed in US dollars)

9. Property, plant and equipment (continued)

	Motor Vehicles (Restated)	Office furniture and equipment (Restated)	Building (Restated)	Machinery (Restated)	Mining Infrastructure (Restated)	Mineral Property (Restated)	Construction-in-Progress (Restated)	Right-of-Use Assets (Restated)	Total (Restated)
Cost									
At September 30, 2017	$ 588,002	$ 522,547	$ 13,622,486	$ 24,272,475	$ 17,632,592	$ 9,658,713	$ 6,939,965	$ 18,538,433	$ 91,775,213
Additions	-	119,216	-	134,096	912,564	-	7,881,347	110,587	9,157,810
Disposal	-	(112,553)	-	-	-	-	-	-	(112,553)
Foreign exchange adjustment	(18,154)	(22,225)	(420,587)	(755,817)	(524,464)	(290,147)	(591,319)	(574,356)	(3,197,069)
At September 30, 2018	569,848	506,985	13,201,899	23,650,754	18,020,692	9,368,566	14,229,993	18,074,664	97,623,401
Additions	90,754	12,063	-	757,291	151,381	-	-	122,244	1,133,733
Change in asset retirement cost	-	-	-	-	386,607	-	-	-	386,607
Transfer	-	-	-	-	14,144,097	-	(14,144,097)	-	-
Disposal	(61,463)	(13,719)	-	(199,763)	-	(241,561)	-	-	(516,506)
Foreign exchange adjustment	(8,552)	(7,173)	(192,307)	(349,294)	(329,786)	(133,756)	(85,896)	(263,634)	(1,370,398)
At December 31, 2019	$ 590,587	$ 498,156	$ 13,009,592	$ 23,858,988	$ 32,372,991	$ 8,993,249	$ -	$ 17,933,274	$ 97,256,837
Accumulated depreciation									
At September 30, 2017	$ (430,095)	$ (437,303)	$ (3,676,711)	$ (7,854,747)	$ (2,024,780)	$ (1,727,461)	$ -	$ (4,605,957)	$(20,757,054)
Depreciation and depletion	(79,009)	(55,949)	(693,134)	(1,333,653)	(727,381)	(363,104)	-	(643,118)	(3,895,348)
Disposal	-	112,553		-	-	-	-	-	112,553
Foreign exchange adjustment	17,059	16,638	146,677	306,315	97,312	70,706	-	172,377	827,084
At September 30, 2018	(492,045)	(364,061)	(4,223,168)	(8,882,085)	(2,654,849)	(2,019,859)	-	(5,076,698)	(23,712,765)
Depreciation and depletion	(68,124)	(50,912)	(812,905)	(1,615,804)	(4,319,331)	(337,386)	-	(781,222)	(7,985,684)
Disposal	61,463	13,719	-	89,893	-	-	-	-	165,075
Foreign exchange adjustment	(7,752)	(9,952)	68,493	150,760	34,003	32,317	-	79,765	347,634
At December 31, 2019	$ (506,458)	$ (411,206)	$ (4,967,580)	$(10,257,236)	$ (6,940,177)	$ (2,324,928)	$ -	$ (5,778,155)	$(31,185,740)
Net book value									
At September 30, 2017	$ 157,907	$ 85,244	$ 9,945,775	$ 16,417,728	$ 15,607,812	$ 7,931,252	$ 6,939,965	$ 13,932,476	$ 71,018,159
At September 30, 2018	$ 77,803	$ 142,924	$ 8,978,731	$ 14,768,669	$ 15,365,843	$ 7,348,707	$ 14,229,993	$ 12,997,966	$ 73,910,636
At December 31, 2019	$ 84,129	$ 86,950	$ 8,042,012	$ 13,601,752	$ 25,432,814	$ 6,668,321	$ -	$ 12,155,119	$ 66,071,097

As at December 31, 2019, certain of the Company's property, plant and equipment with a cost of $11,560,000 were pledged to banks to secure the Company's loans payable (Note 12).

(Expressed in US dollars)

10. Exploration and evaluation assets

	Sunset/Sunrise Mineral	First Adelaide East Project	China Projects	Total
Balance at September 30, 2017 and 2018	$ -	$ -	$ 2	$ 2
Acquisition costs	841	21,404	-	22,245
Disposal	-	-	(2)	(2)
At December 31, 2019	$ 841	$ 21,404	$ -	$ 22,245

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

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

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

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

11. Accounts payable and accrued liabilities

	December 31, 2019	September 30, 2018 (restated)
Trade and other payables	$ 4,023,433	$ 5,725,437
Provisions	1,877,839	1,380,044
Amount due to Dahedong (Note 16)	4,859,517	5,680,202
Total	$ 10,760,789	$ 12,785,683

The balance due to Dahedong of $4,859,517 (September 30, 2018 – $5,680,202) bears no interest, is unsecured, and due on demand.

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

(Expressed in US dollars)

11. Accounts payable and accrued liabilities (continued)

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

	Provision for relocation	Provision for penalties	Total
Balance, October 1, 2017	$ 8,120,256	$ -	$ 8,120,256
Utilized during the period	(6,815,566)	-	(6,815,566)
Effect of foreign exchange	75,354	-	75,354
Balance, September 30, 2018	1,380,044	-	1,380,044
Additions	-	1,338,148	1,338,148
Utilized during the period	(815,767)	-	(815,767)
Effect of foreign exchange	(13,101)	(11,485)	(24,586)
Balance, December 31, 2019	$ 551,176	$ 1,326,663	$ 1,877,839

12. Loans Payable

	December 31, 2019	September 30, 2018
Balance, beginning	$ 17,057,959	$ 16,944,078
Accrued interest and fees	954,720	796,164
Banker's acceptance notes	5,740,528	7,114,250
Loan advances	18,867,908	14,123,131
Loan and interest repayments	(29,469,127)	(21,364,517)
Foreign exchange adjustment	(214,953)	(555,147)
Balance, ending	$ 12,937,035	$ 17,057,959

At December 31, 2019 and September 30, 2018, the loans outstanding consist of:

(i) a $2,870,264 (CNY 20,000,000) (September 30, 2018 - $2,912,692) one-year loan bearing an interest at 5.0025% per annum and repayable on April 4, 2020. The loan is guaranteed by Dahedong, the owner of Dahedong and the company that provides gold concentrate refining services to the Company;

(ii) a $4,305,396 (CNY 30,000,000) (September 30, 2018 - $4,369,038) one-year loan bearing an interest at 5.655% per annum and repayable on September 18, 2020. The loan is guaranteed by a third party;

(iii) a $2,870,264 (CNY 20,000,000) (September 30, 2018 - $2,912,692) one-year loan bearing an interest at 5.655% per annum and repayable on November 6, 2020. The loan is guaranteed by a third party;

(iv) a $1,435,132 (CNY 10,000,000) (September 30, 2018 - $1,456,346) one-year loan bearing an interest at 6.31% per annum and repayable on November 13, 2020. The loan is guaranteed by certain third parties, including Dahedong;

(v) a $1,435,132 (CNY 10,000,000) (September 30, 2018 - $1,456,346) one-year loan bearing an interest at 7.70% per annum. The loan is guaranteed by Dahedong, the owner of Dahedong and by certain third parties. The loan is repayable on December 9, 2020;

(vi) accrued interest of $20,845 (CNY 145,250) (September 30, 2018 - $18,710) relating to the above loans; and

(vii) Included in the balance as at September 30, 2018 were series of banker's acceptances notes in the aggregate of $3,932,135 (CNY 27,000,000). These notes were secured by the restricted cash. These notes were repaid during the fifteen-month period ended December 31, 2019.

(Expressed in US dollars)

13. Financial guarantees

At December 31, 2019, the Company had provided the following financial guarantees:

(i) On December 28, 2016, Zhongjia entered into a financial guarantee agreement whereby it has provided an unsecured financial guarantee of a CNY 50,000,000 five-year unsecured bank loan to Yantai Baiheng Gold Ltd. ("Baiheng"). The nature of the financial guarantee is such that the bank loan will become payable by Zhongjia should Baiheng default on the bank loan. As security, Baiheng has pledged its two mining permits to Zhongjia. Should Baiheng go into default, the two mining permits will become transferable to Zhongjia. Further, in the event of default, Dahedong will become liable for the entire amounts that Zhongjia will make on behalf of Baiheng. If Dahedong is not able to repay the liabilities, it will transfer 5% out of its 25% interest in Zhongjia to Majestic Yantai. At December 31, 2019, Baiheng has repaid CNY 10,000,000 of the bank borrowing.

(ii) On November 14, 2018, Zhongjia entered into a financial guarantee agreement whereby it provided a financial guarantee of a CNY 20,000,000 bank loan to Dahedong from November 14, 2018 to November 13, 2020.

(iii) At December 31, 2019, Zhongjia had provided a financial guarantee for the bank borrowing of CNY 20,000,000 to an external party.

(iv) At December 31, 2019, the Zhongjia had provided a joint and several guaranty for an external party's debt. The contingent liability under this matter approximately ranged from CNY 6,950,000 to CNY 50,000,000 (excluding relevant financing interest and other fees incurred).

14. Asset retirement obligation

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

		December 31, 2019		September 30, 2018
Balance, beginning	$	2,451,862	$	2,442,059
Additions and changes in estimates of net present value		386,607		(2,367)
Accretion		245,694		91,966
Foreign exchange adjustment		(26,956)		(79,796)
Balance, ending	$	3,057,207	$	2,451,862

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the Songjiagou Gold Mine and Songjiagou North Underground Mine (Note 9). These activities, which are site specific, include costs for earthworks, re-contouring, re-vegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, the Company used a risk-free rate of 3.20% (2018 – 3.60%). The majority of the expenditures are expected to occur in or after 2032.

15. Share capital and Reserves

a) Authorized

Unlimited number of common shares without par value.

b) Issued share capital

The Company had 1,047,726,381 common shares issued and outstanding as at December 31, 2019 and September 30, 2018.

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

On July 18, 2018, 25,000,000 share purchase warrants were exercised for 25,000,000 common shares at CAD$0.155 per share for total proceeds of CAD$3,875,000 (USD $2,934,538). The correspondent share-based payment reserve of total CAD$625,000 (USD$480,313) was reversed and recorded as share capital on the warrant exercise date respectively.

(Expressed in US dollars)

15. Share capital and Reserves (continued)

b) Issued share capital (continued)

On September 26, 2018, 42,500,000 share purchase warrants were exercised for 42,500,000 common shares at CAD$0.155 per share for total proceeds of CAD$6,587,500 (USD $5,076,986). The correspondent share-based payment reserve of total CAD$1,062,500 (USD$816,531) was reversed and recorded as share capital on the warrant exercise date respectively.

c) Stock Options

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

The continuity for stock options for the fifteen-month period ended December 31, 2019 and the year ended December 31, 2018 is as follows:

Expiry date	Exercise price	Balance September 30, 2017, and 2018	Issued	Exercised	Expired/ Cancelled	Balance December 31, 2019
January 28, 2021	CAD$0.12	27,700,000	-	-	(4,600,000)	23,100,000
Weighted average exercise price		CAD$0.12	$ -	$ -	$ -	CAD$0.12

The weighted average life of stock options outstanding at December 31, 2019 was 1.08 years.

d) Share purchase warrants

The continuity for share purchase warrants for the fifteen-month period ended December 31, 2019 and the year ended September 30, 2018 is as follows:

Expiry date	Exercise price	Balance September 30, 2017	Issued	Exercised	Expired/ Cancelled	Balance September 30, 2018
January 31, 2019	CAD$0.155	72,500,000	-	(67,500,000)	-	5,000,000
Weighted average exercise price		CAD$0.155	$ -	$ 0.155	$ -	CAD$0.155

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

(Expressed in US dollars)

15. Share capital and Reserves (continued)

e) Reserves

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

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

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

16. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the fifteen-month period ended December 31, 2019 and the year September 30, 2018:

		December 31, 2019		September 30, 2018
Consulting fees charged by companies controlled by directors and officers of the Company-includes key management personnel compensation	$	895,446	$	645,012

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

		December 31, 2019		September 30, 2018
Short-term employee benefits–management fees	$	366,091	$	243,142
Director fees		172,720		162,834
	$	538,811	$	405,976

Related party balances

		December 31, 2019		September 30, 2018
Amounts due to (from) companies controlled by Directors and Officers of the Company	$	21,794	$	4,966
Amounts due to Dahedong		4,859,517		5,680,202
	$	4,881,311	$	5,685,168

Dahedong is a related party on the basis that it is controlled by significant shareholders of the Company. During the fifteen-month period ended December 31, 2019, Dahedong confirmed the reversal of certain amounts that the Company had previously accrued in the balance owing to Dahedong resulting in a gain of $933,541 (2018 - $4,972,746).

(Expressed in US dollars)

17. Segmented Information

The Company operates in one industry segment being the exploration, development and operation of mining properties in China. All of the Company's capital assets are located in China, except office furniture and equipment with a net book value of $5,767 and an ROU asset with a net book value of $55,599 located in the Company's head-office in Vancouver, Canada. The Company's exploration and evaluation assets are located in Australia and Canada (Note 10). All of the Company's revenues are earned in China.

Revenue from each of the major customers which amounted to 10% or more of the Company's revenue for the fifteen-month period ended December 31, 2019 and the year ended September 30, 2018 is as follows:

	December 31, 2019	September 30, 2018
Customer A	$ 12,108,548	$ 12,963,438
Customer B	28,264,753	20,499,491
Total	$ 40,373,301	$ 33,462,929

18. Revenue and Expenses

Revenue

	December 31, 2019	September 30, 2018
Sales of gold bullion	$ 40,373,301	$ 33,462,929

Cost of sales

	December 31, 2019	September 30, 2018 (restated)
Mining and Milling fees	$ 18,432,633	$ 13,936,097
Depreciation and depletion (Note 9)	7,838,818	3,608,779
Smelting costs	1,268,952	1,291,011
Resource taxes	1,413,923	1,030,057
Other direct costs	300,276	530,453
Changes in ending gold concentrate inventory	(1,287,887)	(714,009)
Total	$ 27,966,715	$ 19,682,388

General and administrative

	December 31, 2019	September 30, 2018 (restated)
Consulting and management fees (Note 16)	$ 834,716	$ 656,545
Financial advisory	786,388	96,581
Depreciation (Note 9)	146,866	286,569
Office and general	671,909	503,864
Professional fees	92,098	95,178
Salaries	1,293,222	992,320
Shareholder communications	36,643	32,122
Travel	713,909	521,045
Total	$ 4,575,751	$ 3,184,224

(Expressed in US dollars)

18. Revenue and Expenses (continued)

Finance expense

		December 31, 2019		September 30, 2018 (restated)
Interest expenses and finances charges for loans payable	$	954,720	$	796,164
Interest expense for leases		2,326		558
Interest expense for other long-term liabilities		95,156		62,336
Accretion of asset retirement obligation (Note 14)		245,694		91,966
Total	$	1,297,896	$	951,024

19. Risks and capital management

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

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

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in interest bearing accounts which are available on demand. Management believes the Company has sufficient cash on hand to finance operations for the next twelve months. The Company's accounts payable and accrued liabilities are generally due on demand. The maturity of the Company's loans are disclosed in Note 12.

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

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

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

(Expressed in US dollars)

19. Risks and capital management (continued)

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 December 31, 2019.

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.

20. Other long-term liabilities

Other long-term liabilities are comprised of the following:

		December 31, 2019		September 30, 2018 (restated)
Lease liability	$	27,010	$	55,599
Village distribution liability		1,449,565		1,566,259
Total	$	1,476,575	$	1,621,858

Village distribution liability
Pursuant to investment agreements, the Company is required to make payments of CNY 1,068,800 ($153,387) per annum to certain individuals registered as villagers in the village adjacent to the Songjiagou Gold Mine until the year 2032. The liability reflects the present value of the required payments, discounted using the Company's incremental borrowing rate of 4.90%.

Lease liability
The Company has a lease liability related to its office premise of $27,010, being the present value of future lease payments of $23,256 in 2020 and $3,755 in 2021.

(Expressed in US dollars)

21. Non-controlling interest

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

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

		December 31, 2019		September 30, 2018 (restated)
Current:				
Assets	$	25,262,739	$	19,232,897
Liabilities		(73,261,529)		(79,117,344)
Total current net liabilities		(47,998,790)		(59,884,447)
Non-current				
Assets		68,730,883		76,029,197
Liabilities		(4,506,772)		(5,474,467)
Total non-current net assets		64,224,111		70,554,730
Balance, ending	$	16,225,321	$	10,670,283

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

		December 31, 2019		September 30, 2018 (restated)
Revenue	$	40,373,301	$	33,462,929
Net income before income tax		9,102,488		16,524,427
Income tax expense		(2,500,019)		(3,056,356)
Net income		6,602,469		13,468,071
Other comprehensive income (loss)		(1,047,431)		(2,268,650)
Comprehensive income	$	5,555,038	$	11,199,421

22. Income Tax

The components of the company's income tax expense are as follows:

		December 31, 2019		September 30, 2018 (restated)
Current income tax expense	$	3,114,182	$	2,613,041
Deferred income tax expense		(614,163)		443,315
	$	2,500,019	$	3,056,356

A reconciliation of the expected income tax recovery to the actual tax recovery is as follows:

		December 31, 2019		September 30, 2018 (restated)
Net income for the year	$	6,765,501	$	14,978,050
Expected income tax expense at local statutory tax rates		1,835,928		4,044,862
Non-deductible items and other permanent differences		462,440		(1,072,499)
Effect of tax rate changes		(182,283)		(330,160)
Temporary differences not recognized		383,934		414,153
Total	$	2,500,019	$	3,056,356

(Expressed in US dollars)

22. Income Tax (continued)

Deferred tax assets and liabilities consist of the following and all relate to the Company's Chinese operations:

	December 31, 2019	September 30, 2018 (restated)
Property, plant and equipment	$ 227,470	$ (347,556)
Asset retirement obligation	764,302	716,347
Other temporary differences	362,391	387,496
	$ 1,354,163	$ 756,287

The Company has the following deductible temporary differences that relate to the Canadian parent and for which no deferred asset has been recognized:

	December 31, 2019	September 30, 2018
Non-capital losses	$ 36,052,081	$ 34,708,976
Share issue costs	26,805	37,671
Property, plant and equipment	139,614	138,070
Capital loss	17,030	17,088
	$ 36,235,530	$ 34,901,805

These temporary differences can be used to offset taxable income in the future. The non-capital losses expire in the years 2027 through 2039. The share issue costs are amortized into taxable income (loss) over a five-year period.

Chinese tax law requires that a withholding tax of 10% is applied to dividends paid by Chinese subsidiaries to foreign parent companies. At December 31, 2019, there was no distributable profit (September 30, 2018 – $Nil).

23. Subsequent events

Since mid-January 2020, there has been a widespread of COVID-19, which has been categorized by the World Health Organization as a pandemic in March 2020 within the 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 its back office administrative functions in the PRC for around 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. The Company resumed normal operations on February 24, 2020 and has not experienced any interruptions in operations since.