MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the nine months ended September 30, 2020

(Expressed in US dollars)

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Majestic Gold Corp. ("Majestic" or "the Company"), should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the nine months ended September 30, 2020 and 2019 (the "Financial Report").

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

The effective date of this MD&A is November 6, 2020.

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

This discussion focuses on key statistics from the unaudited condensed consolidated interim financial statements for the period ended September 30, 2020 and up to the date of this MD&A and pertains to known risks and uncertainties relating to the gold exploration and development and mining industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

THIRD QUARTER HIGHLIGHTS

- ***Revenue*** for the third quarter of 2020 was $13.9 million, from the sale of 8,301 ounces, at an average realized gold price of $1,677 per ounce, an 97% increase compared to $7.1 million in revenue for the 2019 comparative fiscal quarter, from the sale of 5,524 ounces, at an average realized gold price of $1,280 per ounce;
- ***Gold production*** increased by 47% to 9,235 ounces for the third quarter of 2020, from 406,395 tonnes of ore at an average grade of 0.74 g/t, compared to 6,273 ounces from 325,182 tonnes of ore at an average grade of 0.62 g/t for the 2019 comparative fiscal quarter. The significant improvement in gold production was due primarily to a 20% increase in the average grade combined with a 25% increase in ore processed;
- ***Net income*** increased by 26% to $4.7 million for the third quarter of 2020, compared to $1.8 million for the 2019 comparative fiscal quarter;
- ***Adjusted EBITDA*** was $8.5 million for the third quarter of fiscal 2020, compared to $3.0 million for the 2019 comparative fiscal period. Refer to pages 14-15 of the MD&A for the computation of this Non-IFRS financial measure;
- ***Total cash costs and all-in sustaining costs ("AISC")*** for the third quarter of fiscal 2020 were $549 per ounce and $650 per ounce, compared to $593 per ounce and $838 per ounce for the comparative period of fiscal 2019. Refer to pages 14-15 for the MD&A for the computation of this Non-IFRS financial measure; and
- In October 2020, the Company extended its Memorandum of Understanding with Moshan Fanda Mining Co. Ltd., allowing the Company an additional 12-month exclusivity period to complete its due diligence on the Moshan project.

OUTLOOK

The Company continues working on the optimization and expansion of its mining operations at the Songjiagou Gold Mine under its 2020 renewed expanded mining permit, as well as benefitting from increased production contributed by the Songjiagou Underground Mine.

The Company continues its efforts in the areas of evaluating potential property acquisitions, evaluation work on its exploration properties under agreements and further pursuing potential corporate financings opportunities.

CORONA VIRUS ("COVID-19") DISCUSSION

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 People's Republic of China ("PRC") and globally outside the PRC. COVID-19 had affected more than 200 countries. As a result, businesses in major cities in the PRC, including Yantai city where the Company's operations are located, had been temporarily suspended in order to contain and mitigate the current outbreak.

To comply with the PRC government's measures to contain and mitigate the COVID-19 outbreak, the Company also had suspended 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.

DESCRIPTION OF BUSINESS

Majestic is a Vancouver, Canada based gold producer with mining operations in China and focused on the exploration, development and operation of mining properties in China, Australia and North America. The Company's main business involves the acquisition, exploration and development of mineral properties. At September 30, 2020, and at the date of this MD&A, all of the Company's mineral property interests and mining operations are located in China, with the Songjiagou Gold Mine as the Company's flagship property. The Company is a TSX Venture Exchange listed mining company trading under the symbol "MJS".

SONGJIAGOU GOLD MINE

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

RESOURCE

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

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

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

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

Within Original Mining License

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

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

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

The Company expects the average head grade to improve in fiscal 2020 as the Company anticipates higher grades of the ore body becoming accessible which in turn would improve the overall cash flow profile of the Songjiagou mining operations.

SONGJIAGOU NORTH UNDERGROUND MINE

The Songjiagou North Underground Mine ("Songjiagou Underground") project area lies immediately north of the Songjiagou Gold Mine, within the project's mining license boundary. The area underlain by precious metal mineralized vein structures was converted to a five-year, 0.414 sq. km. mining license that was granted on February 18, 2016. The mining license area covers a continuation of the gold mineralization that is currently being developed in the adjacent Songjiagou Gold Mine. Previous sporadic exploration completed by No. 3 Brigade between 2001 and 2013 outlined five discrete mineralized vein structures that comprise a non-compliant National Instrument 43-101 resource found in a Brigade No. 3 report titled "*General Exploration Report on the Deep and Peripheral Area in Songjiagou Gold Mine, Muping District, Yantai City, Shandong Province*" and filed with the Bureau of Land and Resources of Shandong Province in 2013.

The Company completed the development of Songjiagou Underground and commenced production in fiscal 2019, with the mining of the initial three of five levels of the underground mine. The underground development includes a 2,650 metre access ramp, a main auxiliary shaft, air shafts, and inclined shafts connecting the five levels developed at +49, +9, -40m, -80m and -160 m.

SRK Consulting (China) Ltd, continues to work with the Company to update the Company's NI 43-101 Technical Report which will the Songjiagou North underground Mine included in the updated Technical Report. The Company expects the Technical Report to be completed in the late fiscal 2020.

EXPLORATION

<u>Australia - Fair Adelaide East Project</u>

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

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

Pursuant to the Agreement, Majestic may acquire a 51% interest in the full eight tenements by paying Plutus A$30,000 on execution of the Agreement, a further A$30,000 on or before December 2020 and expending a total A$2,000,000 in exploration expenses on the properties during the ensuing two years ending December 15, 2023, provided that Majestic expends a minimum of A$500,000 on the properties during the year commencing December 15, 2021 and ending December 15, 2022.

China Exploration Projects

On October 15, 2019, the Company entered into three separate non-binding Memorandums of Understanding ("MOUs") with three different groups (the "Parties") on four gold projects located in the Muping-Rushan gold belt in eastern Shandong Province, China.

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

In October 2020, the Company extended its MOU with Moshan Fanda Mining Co. Ltd., allowing the Company an additional 12-month exclusivity period to complete its due diligence on the Moshan project. The Company however allowed the MOUSs on the Baiheng and Jiaxing projects to expire as the Company does not intend to further pursue these projects.

Moshan

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

QUALIFIED PERSON

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

SELECTED FINANCIAL INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Operating data				
Gold produced (ozs)	9,235	6,273	25,147	20,352
Gold realized net of smelting fees (ozs)	8,635	5,870	23,351	18,730
Gold sold (ozs)	8,301	5,524	23,354	19,437
Average realized gold price ($/oz sold)	$ 1,677	$ 1,280	$ 1,601	$ 1,284
Total cash costs ($/oz sold) (1)	549	593	587	632
Total production costs ($/oz sold) (1)	741	870	788	868
All-in sustaining costs ($/oz sold) (1)	650	838	706	777
Financial data				
Total revenues	$ 13,919,283	$ 7,069,970	$ 37,400,555	$ 24,959,524
Gross profit (loss) (2)	7,772,322	2,264,854	18,994,913	8,080,472
Adjusted EBITDA (1)	8,544,158	2,987,418	21,068,226	10,438,089
Net income	4,726,768	1,756,827	11,273,105	4,446,165
Net income attributable to shareholders	3,193,175	1,331,447	7,545,311	3,000,480
Basic and diluted income per share	0.01	0.00	0.01	0.00
			September 30, 2020	December 31, 2019
Balance Sheet				
Cash			$ 19,462,370	$ 23,918,724
Total assets			117,110,981	98,682,737
Total current liabilities			27,952,453	24,395,468

(1) See "Additional Non-IFRS Financial Measures" on page 14-15.
(2) "Gross profit" represents total revenues, net of cost of goods sold.

RESULTS OF OPERATIONS

Gold Production

	Three months ended September 30,		Nine months ended September 30,	
(Ounces)	2020	2019	2020	2019
Songjiagou Operations				
Songjiagou Gold Mine	7,383	4,257	19,578	14,236
Songjiagou North Underground	1,852	2,016	5,569	6,116
Total	9,235	6,273	25,147	20,352

Gold production for the third quarter of 2020 was 9,235 ounces, an increase of 47% over the 2019 comparative period production of 6,273 ounces. The gold production for the third quarter of 2020, was generated from 406,395 tonnes of ore milled with an average head grade of 0.74 g/t, compared to 325,182 tonnes milled, with an average head grade of 0.62 g/t, for the 2019 comparative period.

Gold production for the nine-month period ended September 30, 2020 was 25,147 ounces, from 1,180,024 tonnes milled with an average head grade of 0.69 g/t and a 96% recovery rate, compared to gold production of 20,352 ounces for the 2019 comparative period, from 976,508 tonnes milled with an average head grade of 0.68 g/t and a 96% recovery rate.

The Company expects its head grade and gold production to see improvement in fiscal 2020 as higher-grade areas in the open pit become accessible.

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Production data				
Songjiagou Gold Mine				
Tonnes mined	323,943	436,902	1,051,891	1,032,689
Tonnes milled	384,239	300,395	1,112,199	901,598
Head grade (g/t)	0.63	0.47	0.58	0.56
Mill recovery	95%	94%	95%	95%
Gold produced (ozs)	7,383	4,257	19,578	14,236
Gold realized net of smelting fees (ozs)	6,931	4,089	18,228	13,103
Songjiagou North Underground				
Tonnes mined	22,156	24,787	67,825	74,910
Tonnes milled	22,156	24,787	67,825	74,910
Head grade (g/t)	2.60	2.53	2.55	2.54
Mill recovery	99%	99%	99%	99%
Gold produced (ozs)	1,852	2,016	5,569	6,116
Gold realized net of smelting fees (ozs)	1,704	1,781	5,123	5,627
Total Songjiagou Operations				
Tonnes mined	346,099	461,689	1,119,716	1,107,599
Tonnes milled	406,395	325,182	1,180,024	976,508
Head grade (g/t)	0.74	0.62	0.69	0.68
Mill recovery	96%	95%	96%	96%
Gold produced (ozs)	9,235	6,273	25,147	20,352
Gold realized net of smelting fees (ozs)	8,635	5,870	23,351	18,730

Revenues

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Gold				
Ounces sold	8,301	5,524	23,354	19,437
Average realized price ($/oz)	$ 1,677	$ 1,280	$ 1,601	$ 1,284
Revenues				
Gold	$ 13,919,283	$ 7,069,970	$ 37,400,555	$ 24,959,524

Gold sales revenue was $13.9 million for the third quarter of 2020, from the sale of 8,301 ounces, at an average realized gold price of $1,677 per ounce, compared to gold sales revenue of $7.1 million from the sale of 5,524 ounces, at an average realized gold price of $1,280 per ounce, for the 2019 comparative period.

The Company has significantly benefited from a 31% per ounce increase in the average realized gold price over the comparative period and a 25% increase in the average realized gold price for the nine-month comparative periods.

Cost of Sales

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Ounces sold	8,301	5,524	23,354	19,437
Per ounce of gold sold (1)				
Cash costs	$ 549	$ 593	$ 587	$ 632
Production costs	741	870	788	868
Cost of Goods Sold				
Total cash costs	$ 4,559,885	$ 3,277,808	$ 13,699,241	$ 12,289,474
Total production costs	6,146,961	4,805,116	18,405,642	16,879,052

(1) See "Additional Non-IFRS Financial Measures" on page 14-15.

Total cash costs were $549 per ounce in the third quarter of 2020, compared to $593 for the 2019 comparative period. Production costs per ounce were $741 for the third quarter of 2020, compared to $870 per ounce for the 2019 comparative period.

The total cash and production costs per ounce sold for each of the eight most recently completed quarters are as follows:

	2020				2019			
	3rd Qtr	2nd Qtr	1st Qtr	5th Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Ounces sold	8,301	8,298	6,755	6,142	5,524	5,299	8,612	5,807
Per ounce of gold sold (1)								
Cash costs	$ 549	$ 537	$ 693	$ 758	$ 593	$ 630	$ 659	$ 549
Production costs	741	716	936	1,039	870	919	834	805

(1) See "Additional Non-IFRS Financial Measures" on page 14-15.

Other Items

The Company's general and administrative expenses ("G&A") expenditures were $984,083 for the third quarter of 2020, over $874,573 for the comparative period of 2019.

The significant variance for the three-month periods ended September 30, 2020 and 2019 was for financial advisory fees. The Company incurred $116,976 in financial advisory fees during the current period, compared to $2,108 for the comparative period. The increase in financial advisory fees for is due to the Company's increased efforts in evaluating potential corporate financing opportunities.

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

The G&A details for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Consulting and management fees	$ 109,906	$ 123,610	$ 432,508	$ 368,252
Financial advisory	116,976	2,108	572,223	7,886
Depreciation	168,843	69,829	185,925	201,833
Office and general	232,847	220,375	559,822	562,571
Professional fees	6,643	2,727	66,839	70,105
Salaries	249,252	262,773	708,855	793,471
Shareholder communications	13,281	8,578	34,103	27,843
Travel	86,335	184,573	258,738	401,833
Total	$ 984,083	$ 874,573	$ 2,819,013	$ 2,433,794

The details of the changes in the consolidated finance expense for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest expenses and finances charges for lease liabilites, loans payable and long-term liabilites	$ 105,422	$ 188,753	$ 467,024	$ 574,187
Accretion of asset retirement obligation	30,911	21,581	97,445	66,235
Total	$ 136,333	$ 210,334	$ 564,469	$ 640,422

The Company's reported net income for the third quarter of 2020, was $4.7 million ($0.01 per share) compared to $1.7 million ($0.00 per share) for the comparative period of 2019 and reported net income for the nine-month period ended September 30, 2020, was $11.3 million ($0.01 per share) compared to $4.4 million ($0.00 per share) for the comparative period of 2019.

The Company's adjusted EBITDA was $8.5 million for the third quarter of 2020, compared to $3.0 million for the comparative quarter of 2019 and adjusted EBITDA for the nine-month period ended September 30, 2020, was $21.1 million compared to $10.4 million for the comparative period of 2019.

SUMMARY OF QUARTERLY RESULTS

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

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net revenues	$13,919,283	$13,169,364	$10,311,908	$7,941,403
Net income (loss)	$4,726,768	$4,392,775	$2,153,562	$(1,330,157)
Income per share	$0.01	$0.00	$0.00	$(0.00)
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Net revenues	$7,119,195	$6,928,695	$11,083,726	$7,269,247
Net income	$1,756,827	$490,037	$2,199,301	$1,149,473
Income per share	$0.00	$0.00	$0.00	$0.00

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

Significant variations in the net income between quarters are primarily due to the volatility of gold prices and variances in gold sales, production costs, G&A expenses

LIQUIDITY

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

At September 30, 2020, the Company had cash of $19,462,370 (December 31, 2019 - $23,918,724).

The Company had a working capital at September 30, 2020, of $6,225,191, compared to working capital of $5,501,364 at December 31, 2019, of which key components included:

- *Cash* - was $19.5. million; down $4.6 million from the end of fiscal 2019;
- *Deposits and prepaid expense* - was $10.9 million, up $9.2 million from the end of fiscal 2019, the increase was due to gold sales deposits;
- *Inventories* - was $3.8 million, down $0.5 million from the end of fiscal 2019, due to a decrease in gold inventory on hand for the current period compared to fiscal 2019;
- *Accounts payable and accrued liabilities* - $18.8 million, up $8.0 million from the end of fiscal 2019, due primarily to amounts owing for renewal of 10-year mining permit;
- *Income taxes payable* - $1.9 million, up $1.2 million from the end of fiscal 2019;
- *Loans payable* - was $7 million, down $5.6 million from the end of fiscal 2019.

Majestic began the 2020 fiscal year, with $23.9 million in cash. During the nine months ended September 30, 2020, the Company had generated $18.1 million in operating activities, net of working capital changes, expended $17.0 million on investing activities, which was primarily for the renewal of its mining permit, expended $5.7 million on financing activities, which consisted of loan repayments, net of loan borrowings and had a foreign exchange gain of $0.2 million, to end at September 30, 2020, with $19.5 million in cash and cash equivalents.

Management considers its operating cash flows to be sufficient to cover the next twelve months to meet its planned exploration, development, operational activities, and its current outstanding debts. The Company has completed its underground development and is now on achieving consistent profitable income from its operations. The Company anticipates that revenues and profits to increase in fiscal 2020 as production and mining grade are expected to increase both with the expanded mining permit and as higher grades in the open pit become accessible. However, should this not be achieved, the Company will continue to be dependent on raising additional funds to meet operational requirements until ultimately achieving profitable operations.

CAPITAL RESOURCES

At the date of this MD&A, the Company has 20,700,000 stock options at an exercise price CAD$0.12. All stock options will, if exercised, provide additional cash. At the date of this MD&A, the stock options outstanding are "out of the money".

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

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

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

Authorized: an unlimited number of common shares without par value.	Common shares issued and outstanding	Stock options
Outstanding at September 30, 2020 and at the date of this MD&A	1,047,726,381	20,700,000

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following related party transactions during the three-month and nine-month periods ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Consulting fees charged by companies controlled by directors and officers of the Company - include key management personnel compensation	$ 127,305	$ 155,883	$ 419,266	$ 466,949

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Short-term employee benefits–management fees	$ 49,377	$ 59,085	$ 167,406	$ 176,085
Director fees	3,559	39,241	31,967	118,258
	$ 52,936	$ 98,326	$ 199,373	$ 294,343

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of September 30, 2020, 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.

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.

COMMITMENT AND CONTINGENCIES

Commitments and contingencies include principal and interest payments of Company's bank loans, expenditure commitments on its mineral properties, future aggregate minimum operating lease payments required under the operating leases and financial guarantees as described in the Notes 9, 11, 12 and 19 to the Financial Report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company from time to time enters into various off-balance sheet arrangements in the ordinary course of business. The arrangements are entered into by Yantai Zhongjia Mining Inc. and comprise of providing financial guarantees in its ordinary course of business. For additional information on these arrangements, refer to Note 12 of the Financial Report.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management

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

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in interest bearing accounts which are available on demand. Management believes the Company has sufficient cash on hand to finance operations for the next twelve months. The Company's accounts payable and accrued liabilities are generally due on demand. The maturity of the Company's loans is disclosed in Note 11 of the Financial Report.

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

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

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

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

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

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash and reclamation deposits held in bank accounts that earn interest at variable interest rates. The Company's loans payable accrues interest at fixed rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of September 30, 2020.

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

DIRECTORS

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Audit Committee of the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.
Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

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

RISKS AND UNCERTAINTIES

Risks and uncertainties information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's annual MD&A for the period ended December 31, 2019.

ADDITIONAL NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue	$ 13,919,283	$ 7,069,970	$ 37,400,555	$ 24,959,524
Cost of sales, net of depreciation and depletion	(4,559,885)	(3,277,808)	(13,699,241)	(12,289,474)
G&A, net of depreciation	(815,240)	(804,744)	(2,633,088)	(2,231,961)
Adjusted EBITDA	$ 8,544,158	$ 2,987,418	$ 21,068,226	$ 10,438,089

The following table provides a reconciliation of adjusted EBITDA to the consolidated financial statements for the three-month and nine-month periods ended September 30, 2020 and 2019:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net Income	$ 4,726,768	$ 1,756,827	$ 11,273,105	$ 4,446,165
Depreciation and depletion	1,755,919	1,597,137	4,892,326	4,791,411
Finance expense, net of finance income	73,327	1,283	378,297	272,052
Foreign exchange loss (gain)	(3,955)	(800,580)	(1,131)	(795,137)
Other expenses (income)	185,197	(73,949)	(5,060)	(227,851)
Income tax expense	1,806,902	506,700	4,530,689	1,951,449
Adjusted EBITDA	$ 8,544,158	$ 2,987,418	$ 21,068,226	$ 10,438,089

The following tables provide reconciliation to the consolidated financial statements of total cash costs per ounce, and total production costs per ounce as disclosed in this MD&A to the consolidate financial statements for the three-month and nine-month periods ended September 30, 2020 and 2019:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Gold sold (ozs)	8,301	5,524	23,354	19,437
Total cash costs per ounce				
Mining and Milling fees	$ 3,665,684	$ 4,014,902	$ 11,034,102	$ 11,170,113
Smelting costs	222,349	269,103	607,038	746,503
Resource taxes	501,026	279,684	1,332,221	874,812
Other direct costs	(41,544)	111,547	255,978	329,798
Changes in ending gold concentrate inventory	212,370	(1,397,428)	469,902	(831,752)
Total cash costs	$ 4,559,885	$ 3,277,808	$ 13,699,241	$ 12,289,474
Per ounce sold	$ 549	$ 593	$ 587	$ 632
Total production costs per ounce				
Total cash costs	$ 4,559,885	$ 3,277,808	$ 13,699,241	$ 12,289,474
Depreciation and depletion	1,587,076	1,527,308	4,706,401	4,589,578
Total production costs	$ 6,146,961	$ 4,805,116	$ 18,405,642	$ 16,879,052
Per ounce sold	$ 741	$ 870	$ 788	$ 868
All-in sustaining costs per ounce				
Total cash costs	$ 4,559,885	$ 3,277,808	$ 13,699,241	$ 12,289,474
G&A, net of depreciation	815,240	804,744	2,633,088	2,231,961
Sustaining capital expenditures (1)	20,474	547,945	156,058	576,169
All-in sustaining costs	$ 5,395,599	$ 4,630,497	$ 16,488,387	$ 15,097,604
Per ounce sold	$ 650	$ 838	$ 706	$ 777

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

The following table reconciles sustaining capital expenditures to the Company's total additions as reported in the interim condensed consolidated statements of cash flows for statements for the three-month and nine-month periods ended September 30, 2020 and 2019:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Additions to property, plant and equipment				
Songjiagou Gold Mine and North Underground Mine	$ 1,330,109	$ 184,645	$ 16,194,193	$ 686,094
Sustaining capital	20,474	547,945	156,058	576,169
	$ 1,350,583	$ 732,590	$ 16,350,251	$ 1,262,263

FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates by reference "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the year ended December 31, 2019, filed with the applicable securities regulatory authorities and available at SEDAR www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives, and may not be appropriate for other purposes.