MAJESTIC GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and the fifteen-month period ended December 31, 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and the fifteen-month period ended December 31, 2019 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.

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 Steven Reichert.

DMCL

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

April 5, 2021

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

	Note	December 31, 2020 - $ -	December 31, 2019 - $ -
ASSETS			
Current assets			
Cash	*4*	33,774,231	23,918,724
Receivables	*5*	18,307	15,489
Deposits and prepaid expenses	*6*	464,063	1,602,153
Inventory	*7*	4,442,758	4,360,466
		38,699,359	29,896,832
Reclamation deposits	*6*	2,190,025	1,338,400
Property, plant and equipment	*8*	83,069,232	66,071,097
Exploration and evaluation assets	*9*	69,605	22,245
Deferred tax assets	*22*	832,537	1,354,163
Other long-term assets	*10*	1,854,435	-
		126,715,193	98,682,737
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	*11*	23,341,722	10,781,635
Current portion of long-term liabilty		163,221	-
Income taxes payable		3,817,389	697,644
Loans payable	*12*	4,597,772	12,916,189
		31,920,104	24,395,468
Asset retirement obligation	*14*	3,367,253	3,057,207
Other long-term liabilites	*20*	1,336,156	1,476,575
		36,623,513	28,929,250
EQUITY			
Share capital	*15*	123,005,743	123,005,743
Reserves	*15*	12,071,824	7,407,198
Deficit		(58,361,024)	(65,835,781)
Equity attributable to owners of parent		76,716,543	64,577,160
Equity attributable to non-controlling interests	*21*	13,375,137	5,176,327
Total equity		90,091,680	69,753,487
		126,715,193	98,682,737

Nature of operations	*1*
Commitments	*9, 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	Year ended December 31, 2020 - $ -	Fifteen month period December 31, 2019 - $ -
Gold revenue	*18*	52,363,436	40,373,301
Cost of sales			
Operating expenses	*18*	18,667,772	20,127,897
Depreciation and depletion	*8,18*	5,511,597	7,838,818
Gross profit		28,184,067	12,406,586
General and administrative	*18*	3,979,446	4,575,751
Exploration and evaluation expenditures	*9*	72,371	-
Profit before other items		24,132,250	7,830,835
Other items			
Finance expense	*18*	762,443	1,297,896
Finance income		(355,466)	(252,206)
Foreign exchange gain		(8,092)	(514)
Gain on investments		(387,773)	-
Gain on sale of assets		(5,135)	-
Other expenses		294,828	953,699
Gain on reversal of account payables	*16*	-	(933,541)
		300,805	1,065,334
Net income before income tax		23,831,445	6,765,501
Income tax expense	*22*	8,769,144	2,500,019
Net income for the year		15,062,301	4,265,482
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of parent		(595)	(123,973)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		3,262,489	(815,200)
Total other comprehensive income (loss) for the year		3,261,894	(939,173)
Total comprehensive income for the year		18,324,195	3,326,309
Net income for the year attributable to:			
Owners of the parent		9,430,192	2,365,181
Non-controlling interests		5,632,109	1,900,301
		15,062,301	4,265,482
Comprehensive income for the year attributable to:			
Owners of the parent		12,139,383	1,511,818
Non-controlling interest		6,184,812	1,814,491
		18,324,195	3,326,309
Income per share attributable to owners of the parent- basic and diluted		0.01	0.00
Weighted average number of common shares outstanding - basic and diluted		1,047,726,381	1,047,726,381

The accompanying notes are an integral part of these 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 - $ -	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 fund surplus reserve		-	-	-	76,884	5,522	(82,406)	-	-	-
Other adjustment to non-controlling interest		-	-	-	-	-	-	-	(241,561)	(241,561)
Comprehensive income										
Net income for the year		-	-	-	-	-	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 year		-	-	-	-	(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

			Attributable to owners of the parent							
	Note	Number of shares	Share capital - $ -	Share-based payment reserve - $ -	Special Reserve - $ -	Foreign currency translation reserve - $ -	Deficit - $ -	Total - $ -	Non-controlling interest - $ -	Total equity - $ -
Balance, December 31, 2019		1,047,726,381	123,005,743	11,593,055	407,408	(4,593,265)	(65,835,781)	64,577,160	5,176,327	69,753,487
Safety fund surplus reserve		-	-	-	115,438	(32,367)	(83,071)	-	-	-
Statutory surplus reserve					1,978,309	(105,945)	(1,872,364)	-	-	-
Other adjustment to non-controlling interest		-	-	-	-	-	-	-	2,013,998	2,013,998
Comprehensive income										
Net income for the period		-	-	-	-	-	9,430,192	9,430,192	5,632,109	15,062,301
Other comprehensive loss		-	-	-	-	2,709,191	-	2,709,191	552,703	3,261,894
Total comprehensive income for the period		-	-	-	-	2,709,191	9,430,192	12,139,383	6,184,812	18,324,195
Balance, December 31, 2020		1,047,726,381	123,005,743	11,593,055	2,501,155	(2,022,386)	(58,361,024)	76,716,543	13,375,137	90,091,680

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

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

	Year ended December 31, 2020 - $ -	Fifteen month period December 31, 2019 - $ -
Cash provided from (used for):		
Operating activities:		
Net income for the year	15,062,301	4,265,482
Items not involving cash:		
Depreciation and depletion	5,606,835	7,985,684
Finance expense	762,443	1,297,896
Income tax expense	8,771,509	2,500,019
(Gain)/Loss on equipment disposal	(5,135)	40,695
Gain on reversal of accounts payable and accrued liabilities	-	(933,541)
Write-down of exploration and evaluation assets	-	2
Changes in non-cash working capital balances:		
Receivables	(2,818)	502,053
Deposits and prepaid expenses	1,138,090	(1,282,427)
Inventory	202,372	(1,299,082)
Accounts payable and accrued liabilities	11,275,043	(967,629)
Effect of foreign exchange on working capital	(109,966)	101,913
Income tax paid	(5,282,949)	(3,187,640)
Interest paid	(602,340)	(952,292)
Net cash provided from operating activities	36,815,385	8,071,133
Investing activities:		
Expenditures on property, plant and equipment	(17,413,932)	(1,133,733)
Proceeds on sale of equipment	5,135	69,175
Exploration and evaluation assets	(44,571)	(22,245)
Loans receivable	(1,755,124)	-
Reclamation deposits	(719,996)	68,567
Net cash used for investing activities	(19,928,488)	(1,018,236)
Financing activities:		
Restricted cash	-	3,908,399
Deposit on loan guarantee	-	(1,447,555)
Lease payments	(25,465)	(30,187)
Village distributions	(155,031)	(189,847)
Loan advances	4,351,547	24,608,436
Loan repayments	(13,054,641)	(28,516,835)
Net cash used for financing activities	(8,883,590)	(1,667,589)
Effect of foreign exchange on cash	1,852,200	(309,447)
Net increase in cash	9,855,507	5,075,861
Cash, beginning	23,918,724	18,842,863
Cash, ending	33,774,231	23,918,724

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 Canada.

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

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At December 31, 2020, the Company has a working capital of $6,779,255. 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, 2020 based on the consideration that the Company is expected to remain profitable and continue to generate operating cash inflow from its future business operations.

On March 1, 2021, the Company reported the provincial government in Shandong mandated the immediate closure of all non-coal operations in the province following a second major mine accident that occurred in the region. The provincial and city governments initiated a provincial wide program to inspect all underground gold mines in Shandong and mandate compliance with provincial safety standards. The government expects to have the inspections of all operating non-coal mines completed by June 2021. Majestic has operated the Songjiagou open pit gold mine accident free since production commenced in 2011 and has also been accident free at its underground operation since production began there in 2018. The Company confirms that its safety permits for both its underground and open pit mines are valid until September 1, 2022 and March 1, 2023 respectively.

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 April 5, 2021, 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.

(Expressed in US dollars)

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

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

	Country of incorporation	Percentage as at December 31, 2020	Percentage as at December 31, 2019
Sinogold Resources Holdings Group Co. Ltd.	Cayman Island	94%	94%
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

COVID-19 estimation uncertainty

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

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

Use of estimates

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

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

a) The useful lives of property, plant and equipment

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

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

b) Asset retirement obligation

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

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

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

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

The Company has concluded that, as at December 31, 2020, there are no indicators of impairment of the Company's mining properties and related assets.

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

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

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

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

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

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

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

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

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.

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 and 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 depreciate 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

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

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 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 ("ROU") 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:

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.

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

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.

Research and development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in International Accounting Standards ("IAS") 38 Intangible Assets are met. Those criteria require that the product is technically and economically feasible, the Company has the intention and ability to use the asset, and how the asset will generate future benefits. Management assessed the capitalization of development costs based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is technically and economically feasible. The Company has not capitalized any development costs as at December 31, 2020.

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.

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

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.

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 that 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.

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

Financial instruments

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.

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.

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

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:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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

Level 3 – inputs for the asset or liability that are not based on observable market data unobservable inputs).

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.

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.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the asset sold is transferred to customers and the Company satisfies its performance obligation. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Company expects to receive in exchange for the transferring of the assets. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset. This generally occurs when the Company and the customer sign a "Settlement Slip" confirming the customer's acceptance of the assets; thereby transferring of control and legal title, as well as giving physical possession and establishing customers obligation of payment.

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.

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

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 Company and the customer at contract inception. When the contract contains a financing component which provides the Company 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 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. The amendment provides additional guidance on the definition of a business in determining whether a transaction results in an asset or business acquisition. The amendment includes an optional concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. If the concentration test is not met, or if an entity elects not to apply the test, then an assessment of the elements of a business is performed to determine whether the transaction results in an asset or business acquisition. These amendments are effective for annual periods beginning on or after January 1, 2020. Adoption of this standard had no material impact on the consolidated financial statements. The Adoption of this standard had no material impact on the 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 for annual periods beginning on or after January 1, 2019. The Adoption of this standard had no material impact on the consolidated financial statements.

(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, 2020, in preparing these consolidated financial statements.

IAS 16 *Property, Plant and Equipment*
The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended

(Expressed in US dollars)

3. New accounting standards, interpretations and amendments

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

use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable.

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

4. Cash

At December 31, 2020, cash of $31,007,061 is held in China and is subject to local exchange control regulations. Chinese exchange control regulations provide for restrictions on exporting capital from China, other than through normal dividends.

5. Receivables

		December 31, 2020		December 31, 2019
Sales taxes receivable	$	6,429	$	6,751
Other receivables		11,878		8,738
Total	$	18,307	$	15,489

6. Deposits and prepaid expenses

		December 31, 2020		December 31, 2019
Current:				
Prepayment for mining supplies and services	$	94,297	$	85,644
Rent deposit		11,120		6,738
Other prepayments and deposits		358,646		1,509,771
		464,063		1,602,153
Non-current:				
Reclamation deposits		2,190,025		1,338,400
Total	$	2,654,088	$	2,940,553

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)

7. Inventory

		December 31, 2020		December 31, 2019
Gold concentrate	$	1,826,145	$	1,999,887
Ore stockpile		920,374		1,578,398
Raw material		1,696,239		782,181
Total	$	4,442,758	$	4,360,466

8. Property, plant and equipment

Songjiagou Gold Mine

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

Songjiagou North Underground Mine

The Songjiagou North Underground Mine is also owned by Zhongjia and lies immediately north of the Songjiagou open pit operation, within the project's exploration license boundary. The area underlain by precious metal mineralized vein structures was converted to a five-year, 0.414 sq. km. mining license that was granted on February 18, 2016. The Company's mining permit for the Songjiagou Gold Mine has been renewed and is valid until February 18, 2031. The mining license area covers a continuation of the gold mineralization that is currently being mined in the adjacent Songjiagou Gold Mine.

As at December 31, 2020 and December 31, 2019, ROU included prepaid land leases and building leases.

(Expressed in US dollars)

8. Property, plant and equipment (continued)

	Motor Vehicles	Office furniture and equipment	Building	Machinery	Mining Infrastructure	Mineral Property	Construction-in-Progress	Right-of-Use Assets	Total
Cost									
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 30, 2019	590,587	498,156	13,009,592	23,858,988	32,372,991	8,993,249	-	17,933,274	97,256,837
Additions	62,407	118,416	363,030	247,748	1,731,488	14,696,044	-	230,293	17,449,426
Change in asset retirement cost	-	-	-	-	100,488	-	-	-	100,488
Disposal	-	(1,382)	-	(50,043)	-	-	-	-	(51,425)
Foreign exchange adjustment	43,637	39,648	904,011	1,631,429	2,302,081	1,336,318	-	1,206,118	7,463,242
At December 31, 2020	$ 696,631	$ 654,838	$ 14,276,633	$ 25,688,122	$ 36,507,048	$ 25,025,611	$ -	$ 19,369,685	$ 122,218,568
Accumulated depreciation									
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 30, 2019	(506,458)	(411,206)	(4,967,580)	(10,257,236)	(6,940,177)	(2,324,928)	-	(5,778,155)	(31,185,740)
Depreciation and depletion	(29,987)	(42,711)	(676,396)	(1,300,412)	(2,550,178)	(368,874)	-	(638,277)	(5,606,835)
Disposal	-	1,382	-	50,043	-	-	-	-	51,425
Foreign exchange adjustment	(36,090)	(29,790)	(375,617)	(767,245)	(594,267)	(178,755)	-	(426,422)	(2,408,186)
At December 31, 2020	$ (572,535)	$ (482,325)	$ (6,019,593)	$ (12,274,850)	$ (10,084,622)	$ (2,872,557)	$ -	$ (6,842,854)	$ (39,149,336)
Net book value									
At December 30, 2019	$ 84,129	$ 86,950	$ 8,042,012	$ 13,601,752	$ 25,432,814	$ 6,668,321	$ -	$ 12,155,119	$ 66,071,097
At December 31, 2020	$ 124,096	$ 172,513	$ 8,257,040	$ 13,413,272	$ 26,422,426	$ 22,153,054	$ -	$ 12,526,831	$ 83,069,232

As at December 31, 2020, certain of the Company's property, plant and equipment with a cost of $12,345,936 were pledged to banks to secure the Company's loans payable (Note 12).

(Expressed in US dollars)

9. Exploration and evaluation assets

		Sunset/Sunrise Mineral		Fair Adelaide East Project		Total
Balance at December 31, 2019	$	841	$	21,404	$	22,245
Addition		-		44,571		44,571
Foreign exchange adjustment		17		2,772		2,789
Balance at December 31, 2020	$	858	$	68,747	$	69,605

Fair Adelaide East Project, Australia
On December 15, 2019, the Company entered into the option agreement ("FAE Agreement") to acquire 51% ownership of a gold exploration project in Western Australia known as the Fair Adelaide East Project (the "FAE Project"). The FAE Project is located near 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 the FAE Project by making the following option payments and exploration expenditures:

- by paying the Optionor AUD$30,000 on execution, paying a further AUD$30,000 on December 4, 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 AUD$250,000 on any one or any number of Tenements each and relinquishing the balance of the Tenements back to the Optionor, again provided the Company expends a minimum of AUD$500,000 during the period commencing December 15, 2021 and ending December 15, 2023.

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

Exploration and evaluation expenditures recorded in the statements of loss and comprehensive loss for the years ended December 31, 2020, is as follows:

Year ended December 31, 2020		Sunset-Sunrise Property, British Columbia		General exploration, China		Total December 31, 2020
Claim maintenance fees	$	39	$	-	$	39
Geological technical consulting fees		-		72,332		72,332
Total	$	39	$	72,332	$	72,371

10. Other long-term assets

At December 31, 2020, the Company has loan receivables in the amount of $1,854,435 (CNY12,100,000). During fiscal 2020, the Company entered into the following loan agreements with arm's length parties:

i) a zero-interest bearing installment loan of up to $613,035 (CNY 4,000,000) to an arm's length construction company. At December 31, 2021, $321,844 (CNY2,100,000) of loan installments were outstanding. The loan was provided in support of economic development to a village adjacent to Songjiagou Mine Site as loan proceeds will be used for the construction of vegetable storage sheds for the villagers. zero-interest bearing loan receivable by the Company. The loan is repayable by way of four annual payments beginning September 17, 2022, each for 25% of the amount borrowed;

ii) a zero-interest bearing installment loan of $1,532,591 (CNY10,000,000) to an arm's length party due on July 24,

(Expressed in US dollars)

10. Other long-term assets (continued)

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

11. Accounts payable and accrued liabilities

		December 31, 2020		December 31, 2019
Trade and other payables	$	16,549,971	$	4,023,433
Loan interest payables		8,007		20,846
Provisions		1,281,276		1,877,839
Amount due to Dahedong (Note 16)		5,502,468		4,859,517
Total	$	23,341,722	$	10,781,635

The balance due to Dahedong of $5,502,468 (December 31, 2019 – $4,859,517) bears no interest, is unsecured, and due on demand.

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

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

		Provision for relocation		Provision for penalties		Total
Balance, October 1, 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
Utilized during the period		(315,927)		(369,382)		(685,309)
Effect of foreign exchange		19,554		69,192		88,746
Balance, December 31, 2020	$	254,803	$	1,026,473	$	1,281,276

12. Loans Payable

		December 31, 2020		December 31, 2019
Balance, beginning	$	12,916,189	$	17,039,249
Banker's acceptance notes		-		5,740,528
Loan advances		4,351,547		18,867,908
Loan and Banker's acceptance repayments		(13,054,641)		(28,516,835)
Foreign exchange adjustment		384,677		(214,661)
Balance, ending	$	4,597,772	$	12,916,189

At December 31, 2020 and December 31, 2019, the loans outstanding consist of:

(i) a $ 1,532,591 (CNY 10,000,000) (December 31, 2019 - $0) one-year loan bearing interest at 4.80% per annum and repayable on September 6, 2021. The loan is guaranteed by Dahedong, the owner of Dahedong and by certain third parties;

(ii) a $1,532,591 (CNY 10,000,000) (December 31, 2019 - $1,435,132) one-year loan bearing interest at 6.31% per annum and repayable on November 10, 2021. The loan is guaranteed by certain third parties, including Dahedong; and

(Expressed in US dollars)

12. Loans Payable (continued)

(iii) a $1,532,591 (CNY 10,000,000) (December 31, 2019 - $1,435,132) one-year loan bearing interest at 7.70% per annum. The loan is guaranteed by certain third parties, including Dahedong. The loan is repayable on December 7, 2021.

13. Financial guarantees

At December 31, 2020, 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, 2020, Baiheng has repaid CNY 20,000,000 of the bank borrowing;

(ii) At December 31, 2020, Zhongjia had provided a financial guarantee for the bank borrowing of CNY 20,000,000 to an external party; and

(iii) At December 31, 2020, Zhongjia had provided a joint and several guarantee for an external party's debt. The contingent liability under this matter approximately ranged from CNY 6,950,000 to CNY 50,000,000 (excluding relevant financing interest and other fees incurred).

14. Asset retirement obligation

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

		December 31, 2020		December 31, 2019
Balance, beginning	$	3,057,207	$	2,451,862
Additions and changes in estimates of net present value		106,174		386,607
Accretion (Note 18)		98,879		245,694
Foreign exchange adjustment		104,993		(26,956)
Balance, ending	$	3,367,253	$	3,057,207

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 3.25% (2019 – 3.20%). The majority of the expenditures are expected to occur in or after 2030. As at December 31, 2020, the total undiscounted amount of estimated cash flows required to settle the Company's obligation was $4,572,668 (CNY29,836,200)

15. Share capital and Reserves

a) Authorized

Unlimited number of common shares without par value.

b) Issued share capital

The Company had 1,047,726,381 common shares issued and outstanding as at December 31, 2020 and December 31, 2019.

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

(Expressed in US dollars)

15. Share capital and Reserves (continued)

c) Stock Options (continued)

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 outstanding and exercisable for the year ended December 31, 2020 and fifteen-month period ended December 31, 2019 is as follows:

Expiry date	Exercise price	Balance September 30, 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

Expiry date	Exercise price	Balance December 31, 2019	Issued	Exercised	Expired/ Cancelled	Balance December 31, 2020
January 28, 2021	CAD$0.12	23,100,000	-	-	(2,400,000)	20,700,000
Weighted average exercise price		CAD$0.12	$ -	$ -	$ -	CAD$0.12

The weighted average life of stock options outstanding at December 31, 2020 was 0.08 years.

d) Share purchase warrants

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

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	$ -	CAD$0.155

There were no warrants issued or outstanding during the year ended December 31, 2020.

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.

(Expressed in US dollars)

15. Share capital and Reserves (continued)

Safety fund surplus reserve

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

Statutory surplus reserve

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

16. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the year ended December 31, 2020 and fifteen-month period ended December 31, 2019:

	Twelve months ended December 31, 2020	Fifteen months ended December 31, 2019
Consulting fees charged by companies controlled by directors and officers of the Company-includes key management personnel compensation	$ 614,131	$ 895,446

Key management personnel compensation

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

	Twelve months ended December 31, 2020	Fifteen months ended December 31, 2019
Short-term employee benefits–management fees	$ 216,025	$ 366,091
Director fees	35,631	172,720
	$ 251,656	$ 538,811

Related party balances

	December 31, 2020	December 31, 2019
Amounts due to companies controlled by Directors and Officers of the Company	$ 6,274	$ 21,794
Amounts due to Dahedong	5,502,468	4,859,517
	$ 5,508,742	$ 4,881,311

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

(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 $6,137 and an ROU asset with a net book value of $3,830 located in the Company's head-office in Vancouver, Canada. The Company's exploration and evaluation assets are located in Australia and Canada (Note 9). All of the Company's revenues are earned in China.

Revenue from each of the major customers which amounted to 10% or more of the Company's revenue for the year ended December 31, 2020 and fifteen-month period ended December 31, 2019 is as follows:

		Twelve months ended December 31, 2020		Fifteen months ended December 31, 2019
Customer A	$	3,658,402	$	12,108,548
Customer B		48,705,034		28,264,753
Total	$	52,363,436	$	40,373,301

18. Revenue and Expenses

Revenue

		Twelve months ended December 31, 2020		Fifteen months ended December 31, 2019
Sales of gold bullion	$	52,363,436	$	40,373,301

Cost of sales

		Twelve months ended December 31, 2020		Fifteen months ended December 31, 2019
Mining and Milling fees	$	15,438,718	$	18,432,633
Depreciation and depletion (Note 8)		5,511,597		7,838,818
Smelting costs		827,665		1,268,952
Resource taxes		1,860,100		1,413,923
Other direct costs		588,713		300,276
Changes in ending gold concentrate inventory		(47,424)		(1,287,887)
Total	$	24,179,369	$	27,966,715

General and administrative

		Twelve months ended December 31, 2020		Fifteen months ended December 31, 2019
Consulting and management fees (Note 16)	$	575,560	$	834,716
Financial advisory		720,185		786,388
Depreciation (Note 8)		95,238		146,866
Office and general		428,030		671,909
Professional fees		153,786		92,098
Research and development		482,667		-
Salaries		1,082,284		1,293,222
Shareholder communications		40,587		36,643
Travel		401,109		713,909
Total	$	3,979,446	$	4,575,751

(Expressed in US dollars)

18. Revenue and Expenses (continued)

Finance expense

		Twelve months ended December 31, 2020		Fifteen months ended December 31, 2019
Interest expenses and finances charges for loans payable	$	588,850	$	954,720
Interest expense for leases		2,924		2,326
Interest expense for other long-term liabilities		71,790		95,156
Accretion of asset retirement obligation (Note 14)		98,879		245,694
Total	$	762,443	$	1,297,896

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, 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.

20. Other long-term liabilities

Other long-term liabilities are comprised of the following:

		December 31, 2020		December 31, 2019
Lease liability	$	3,830	$	27,010
Village distribution liability		1,296,832		1,449,565
Other long-term liability		35,494		-
Total	$	1,336,156	$	1,476,575

Village distribution liability
Pursuant to investment agreements, the Company is required to make payments of CNY 1,068,800 ($155,031) per annum to certain individuals registered as villagers in the village adjacent to the Songjiagou Gold Mine until the year 2032. The liability reflects the present value of the required payments, discounted using the Company's incremental borrowing rate of 4.90%.

Lease liability
The Company has the following lease liability related to its office premise of $3,830, being the present value of future lease payments 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.

On June 16, 2020, the Company cancelled intercorporate debt in the total aggregate amount of $46,318,907 (CAD$62,073,046) ("Debt Cancellation") owed to the Company by its 94% owned subsidiary, Sinogold. The Company recognized an increase in the 6% non-controlling interest related to the Debt Cancellation of $2,779,134 (CAD$3,724,383). At December 31, 2020, the carrying amount of the 6% non-controlling interest was $3,803,430 (December 31. 2019- $344,493).

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

	December 31, 2020	December 31, 2019
Current:		
Assets	$ 35,635,892	$ 25,262,739
Liabilities	(87,436,791)	(73,261,529)
Total current net liabilities	(51,800,899)	(47,998,790)
Non-current		
Assets	37,990,817	68,730,883
Liabilities	(4,699,579)	(4,506,772)
Total non-current net assets	33,291,238	64,224,111
Balance, ending	$ (18,509,661)	$ 16,225,321

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

	Twelve months ended December 31, 2020	Fifteen months ended December 31, 2019
Revenue	$ 52,363,436	$ 40,373,301
Net income before income tax	25,720,533	9,102,488
Income tax expense	(8,769,144)	(2,500,019)
Net income	16,951,389	6,602,469
Other comprehensive income (loss)	3,262,489	(1,047,431)
Comprehensive income	$ 20,213,878	$ 5,555,038

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

	Twelve months ended December 31, 2020	Fifteen months ended December 31, 2019
Cash flow from operating activities	$ 35,726,442	$ 9,459,353
Cash flow used for investing activities	(18,126,618)	(993,673)
Cash flow used for financing activities	(8,858,125)	(1,637,402)
Effect of foreign exchange on cash	1,854,989	(309,447)
Net increase in cash and cash equivalents	$ 10,596,688	$ 6,518,831

(Expressed in US dollars)

22. Income Tax

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

		December 31, 2020		December 31, 2019
Current income tax expense	$	8,148,370	$	3,114,182
Deferred income tax expense		620,774		(614,163)
	$	8,769,144	$	2,500,019

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

		December 31, 2020		December 31, 2019
Net income for the year	$	23,831,445	$	6,765,501
Expected income tax expense at local statutory tax rates		6,443,976		1,835,928
Non-deductible items and other permanent differences		2,581,497		462,440
Effect of tax rate changes		(514,411)		(182,283)
Temporary differences not recognized		258,082		383,934
Total	$	8,769,144	$	2,500,019

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

		December 31, 2020		December 31, 2019
Property, plant and equipment	$	(367,635)	$	227,470
Asset retirement obligation		835,159		764,302
Other temporary differences		365,013		362,391
	$	832,537	$	1,354,163

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, 2020		December 31, 2019
Non-capital losses	$	37,797,712	$	36,052,081
Share issue costs		16,389		26,805
Property, plant and equipment		139,640		139,614
Capital loss		17,373		17,030
	$	37,971,114	$	36,235,530

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, 2020, there was no distributable profit (December 31, 2019 – $Nil).

23. Subsequent events

On January 28, 2021, the Company had 20,700,000 stock option expire unexercised; and

On March 1, 2021, and again on April 1, 2021, the Company reported the provincial government in Shandong mandated the immediate closure of all non-coal operations in the province. The provincial and city governments had rolled out a provincial wide program to inspect all underground gold mines in Shandong and mandate compliance with provincial safety standards. The Company also reported the safety inspections commenced at Songjiagou Gold Mine with inspectors arriving onsite on March 31, 2021. The Company anticipates the onsite safety inspection process will take several weeks which will then be followed by an application process approving Zhongjia to resume its full operations.