



**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended June 30, 2018 and 2017**

***(Expressed in US dollars)***

**(Unaudited)**

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Notice to Reader

These condensed consolidated interim financial statements of Majestic Gold Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

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**Majestic Gold Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited - expressed in US dollars)

		June 30 2018 - \$ -	September 30, 2017 - \$ -
	<i>Note</i>		
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	4	18,802,869	10,227,054
Receivables	5	215,178	1,886,992
Deposits and prepaid expenses	6	767,012	301,071
Inventory	7	2,215,765	1,573,339
Restricted cash	11	4,985,610	2,404,388
		26,986,434	16,392,844
Reclamation deposits	6	1,479,715	985,102
Property, plant and equipment	8	93,595,876	88,348,473
Exploration and evaluation assets	9	2	2
		122,062,027	105,726,421
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	15,988,680	11,555,868
Deferred revenue	21	-	2,009,575
Income taxes payable		759,204	939,079
Loans payable	11	17,159,333	16,944,078
		33,907,217	31,448,600
Asset retirement obligation	13	2,523,269	2,442,059
Security deposit for financial guarantee	12	2,266,186	2,254,114
Deferred tax liabilities		464,799	462,323
		39,161,471	36,607,096
<b>EQUITY</b>			
Share capital	14	113,697,375	105,995,607
Reserves	14	10,303,879	10,564,392
Deficit		(60,133,850)	(64,233,216)
Equity attributable to owners of parent		63,867,404	52,326,783
Equity attributable to non-controlling interests	19	19,033,152	16,792,542
Total equity		82,900,556	69,119,325
		122,062,027	105,726,421
Nature of operations	1		
Commitments	8, 20		
Subsequent event	11, 22		

Approved by the Directors:

"John Campbell"

"Stephen Kenwood"

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

**Majestic Gold Corp.**  
**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)**  
(Unaudited - expressed in US dollars)

		Three months ended June 30,		Nine months ended June 30,	
		2018	2017	2018	2017
		- \$ -	- \$ -	- \$ -	- \$ -
	Note				
Gold revenue	17	10,520,149	8,193,464	27,589,817	21,874,961
Cost of sales	17				
Operating expenses		5,251,272	4,438,080	13,293,062	12,961,590
Depreciation and depletion		1,090,767	811,187	3,208,373	2,330,001
Gross profit		4,178,110	2,944,197	11,088,382	6,583,370
Administrative expenses					
General and administrative	17	889,545	629,091	2,288,784	2,063,825
Profit before other items		3,288,565	2,315,106	8,799,598	4,519,545
Other items					
Finance expense	17	237,510	232,123	690,141	693,878
Finance income		(72,174)	(32,586)	(172,258)	(110,040)
Foreign exchange loss (gain)		(4,161)	4,074	173,964	2,342
Gain on sales of investment		-	-	(126,045)	-
		161,175	203,611	565,802	586,180
Net profit before income tax		3,127,390	2,111,495	8,233,796	3,933,365
Income tax expense		785,818	634,228	1,926,762	750,542
Net profit for the period		2,341,572	1,477,267	6,307,034	3,182,823
Other comprehensive income (loss )					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		(4,167,583)	1,116,319	(227,571)	(953,955)
Total other comprehensive income (loss) for the period		(4,167,583)	1,116,319	(227,571)	(953,955)
Total comprehensive income (loss) for the period		(1,826,011)	2,593,586	6,079,463	2,228,868
Net profit for the period attributable to:					
Owners of the parent		1,525,403	955,067	4,099,366	1,988,793
Non-controlling interests		816,169	522,200	2,207,668	1,194,030
		2,341,572	1,477,267	6,307,034	3,182,823
Comprehensive income (loss) for the period attributable to:					
Owners of the parent		(1,629,307)	1,903,591	3,838,853	1,261,801
Non-controlling interest		(196,704)	689,995	2,240,610	967,067
		(1,826,011)	2,593,586	6,079,463	2,228,868
Profit per share attributable to owners of the parent- basic and diluted		0.00	0.00	0.01	0.00
Weighted average number of common shares outstanding - basic and diluted		980,226,381	912,265,216	946,370,270	879,865,949

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

**Majestic Gold Corp.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
(Unaudited - expressed in US dollars)

		Number of shares	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total	Non- controlling interest	Total equity
	Note		- \$ -	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -
Balance, September 30, 2016		839,765,216	99,893,830	11,496,993	(2,562,121)	(66,458,969)	42,369,733	15,271,198	57,640,931
Shares issued on financing		72,500,000	7,521,694	-	-	-	7,521,694	-	7,521,694
Share issue costs		-	(27,011)	-	-	-	(27,011)	-	(27,011)
Comprehensive income (loss)									
Net profit for the period		-	-	-	-	1,988,793	1,988,793	1,194,030	3,182,823
Other Comprehensive loss		-	-	-	(726,992)	-	(726,992)	(226,963)	(953,955)
Total comprehensive income (loss) for the period					(726,992)	1,988,793	1,261,801	967,067	2,228,868
Balance, June 30, 2017		912,265,216	107,388,513	11,496,993	(3,289,113)	(64,470,176)	51,126,217	16,238,265	67,364,482
Balance, September 30, 2017		912,265,216	105,995,607	12,889,899	(2,325,507)	(64,233,216)	52,326,783	16,792,542	69,119,325
Shares issued on financing	14	64,724,919	7,729,126	-	-	-	7,729,126	-	7,729,126
Shares issued as finder's fee	14	3,236,246	128,819	-	-	-	128,819	-	128,819
Share issue costs	14	-	(156,177)	-	-	-	(156,177)	-	(156,177)
Comprehensive income (loss)									
Net income for the period		-	-	-	-	4,099,366	4,099,366	2,207,668	6,307,034
Other Comprehensive income (loss)		-	-	-	(260,513)	-	(260,513)	32,942	(227,571)
Total comprehensive income (loss) for the period	14	-	-	-	(260,513)	4,099,366	3,838,853	2,240,610	6,079,463
Balance, June 30, 2018	28	980,226,381	113,697,375	12,889,899	(2,586,020)	(60,133,850)	63,867,404	19,033,152	82,900,556

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

**Majestic Gold Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited - expressed in US dollars)

	Nine months ended June 30,	
	2018	2017
	- \$ -	- \$ -
Cash provided from (used for):		
Operating activities		
Net profit for the period	6,307,034	3,182,823
Items not involving cash:		
Depreciation of property, plant and equipment	3,414,482	2,499,839
Finance expense	690,141	693,878
Income tax expense	1,919,579	738,491
Gain on sale of investments	(126,045)	-
Changes in non-cash working capital balances:		
Receivables	1,671,814	(189,949)
Deposits and prepaid expenses	(465,941)	201,640
Inventory	(650,626)	125,257
Accounts payable and accrued liabilities	4,470,733	(4,110,827)
Deferred revenue	(2,009,575)	-
Interest paid	(4,104,912)	(573,780)
Income tax paid	(2,109,333)	(525,185)
Effect of foreign exchange on working capital	(120,471)	(278,537)
<b>Net cash provided from operating activities</b>	<b>8,886,880</b>	<b>1,763,650</b>
Investing activities:		
Expenditures on property, plant and equipment	(8,312,897)	(11,412,630)
Proceeds on sales of investments	126,045	-
Reclamation deposit	(502,169)	-
<b>Net cash used for investing activities</b>	<b>(8,689,021)</b>	<b>(11,412,630)</b>
Financing activities:		
Restricted cash	(2,635,700)	2,548,587
Private placement (net of share issue)	7,701,768	7,494,683
Deposit on loan guarantee	-	2,213,401
Loan advances	15,395,588	15,937,445
Loan repayments	(11,783,128)	(18,568,180)
<b>Net cash provided from financing activities</b>	<b>8,678,528</b>	<b>9,625,936</b>
Effect of foreign exchange on cash and cash equivalents	(300,572)	(86,084)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,575,815</b>	<b>(109,128)</b>
Cash and cash equivalents, beginning	10,227,054	9,037,258
<b>Cash and cash equivalents, ending</b>	<b>18,802,869</b>	<b>8,928,130</b>

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

**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the nine months ended June 30, 2018 and 2017**  
**(Unaudited - expressed in US dollars)**

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**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.

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 unaudited condensed consolidated interim 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. The Company has completed its mining and production facilities and is now working on maintaining efficient production and increasing its positive cash flows from operations. Should this not be achieved, the Company will continue to be dependent on raising sufficient funds to meet operational requirements. At June 30, 2018, the Company has a working capital deficiency of \$6,920,783. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

**2. Basis of preparation and significant accounting policies**

**Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, *Interim Financial Reporting* (“IAS 34”) 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 August 24, 2018, the date the audit committee to the board of directors approved these unaudited condensed consolidated interim financial statements for issue.

**Basis of preparation**

These unaudited condensed consolidated interim financial statements, prepared in conformity with IAS 34, follow the same accounting policies and methods of computation as the most recent audited annual consolidated financial statements.

Since these unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2017.

**Basis of consolidation**

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

The net interest of the Company’s most significant subsidiaries is presented below:

	Country of incorporation	Percentage as at June 30, 2018	Percentage as at September 30, 2017
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Unaudited - expressed in US dollars)**

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

**Use of estimates**

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

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

a) The useful lives of property, plant and equipment

The useful lives of the Company's mining property and related property, plant and equipment is based on indicated gold resource 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 estimates could significantly impact the expected useful lives of the Company's mineral property and related property, plant and equipment.

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 ("Songjiagou"). This estimate is based on current Chinese environmental laws and regulations. Future changes to such laws and regulations as well as changes to the Company's intended mining operations could significantly impact this provision.

c) Impairment of the Company's mining assets

When assessing whether there are indicators of impairment of the Company's mining property and related property, plant and equipment, 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 June 30, 2018, there are indicators of impairment of the Company's Songjiagou Gold Mine (Note 8) which comprises the Company's sole cash generating unit.

To determine the recoverable amount of the Company's mining assets, the Company makes estimates of the fair value less cost to sell determined based on discounted future cash flows expected to be derived from the Songjiagou Gold Mine. These projected cash flows make assumptions regarding future gold prices, the grade and recovery achieved from the ore mined, life of mine, future operating costs, future capital expenditures, and discount rates. The Company has determined that the recoverable amount exceeds the carrying value; however, significant revisions to these assumptions may result in the recognition of impairment. The resource estimate, grade, recovery, and life of mine that is expected to be achieved is based on the most recent technical report completed by a firm of independent consulting engineers. To date the Company has not achieved all the assumptions contained in the technical report.

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.



**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the nine months ended June 30, 2018 and 2017**  
**(Unaudited - expressed in US dollars)**

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

**Use of judgments**

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

a) The determination of functional currency

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

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

**Foreign currency translation**

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

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

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

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

**Comparative figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

**3. New standards, interpretations and amendments issued but not yet applied**

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of June 30, 2018, in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

**IFRS 9 Financial Instruments**

IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date is for annual periods on or after January 1, 2018, with earlier application permitted. The Company is still assessing the impact of adopting IFRS 9. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the nine months ended June 30, 2018 and 2017**  
**(Unaudited - expressed in US dollars)**

**3. New standards, interpretations and amendments issued but not yet applied**

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for annual periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted.

**IFRS 16 Leases**

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors will continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15") has been adopted.

**4. Cash**

At June 30, 2018, cash of \$11,300,205 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**

	June 30, 2018	September 30, 2017
Sales taxes receivable	\$ 208,347	\$ 197,492
Amount owing from a related party (Note 15)	-	1,938
Amount receivable from gold sales	-	1,683,078
Other receivables	6,831	4,484
<b>Total</b>	<b>\$ 215,178</b>	<b>\$ 1,886,992</b>

**6. Deposits and prepaid expenses**

	June 30, 2018	September 30, 2017
Current:		
Prepayment for mining supplies and services	\$ 734,405	\$ 272,238
Rent deposit	13,624	11,670
Other advances and prepayments	18,983	17,163
	767,012	301,071
Non-current:		
Reclamation deposits	1,479,715	985,102
<b>Total</b>	<b>\$ 2,246,727</b>	<b>\$ 1,286,173</b>

**Reclamation Deposits**

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

**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the nine months ended June 30, 2018 and 2017**  
**(Unaudited - expressed in US dollars)**

**7. Inventory**

		June 30, 2018		September 30, 2017
Gold concentrate	\$	817,023	\$	432,603
Ore stockpile		1,398,742		1,140,736
Total	\$	2,215,765	\$	1,573,339

**8. Property, plant and equipment**

	Heavy machinery and equipment	Office furniture and equipment	Mill	Songjiagou Gold Mine	Songjiagou North	Total
<b>Cost</b>						
At September 30, 2017	\$1,396,577	\$ 528,662	\$46,946,300	\$47,976,423	\$ 6,989,436	\$103,837,398
Additions	134,474	84,466	61,948	4,669,834	3,362,175	8,312,897
Foreign exchange adjustment	4,043	(6,951)	249,850	132,803	(48,487)	331,258
At June 30, 2018	1,535,094	606,177	47,258,098	52,779,060	10,303,124	112,481,553
<b>Accumulated depreciation and depletion</b>						
At September 30, 2017	(764,819)	(443,417)	(7,410,107)	(6,870,582)	-	(15,488,925)
Depreciation and depletion	(162,847)	(43,262)	(1,471,404)	(1,736,969)	-	(3,414,482)
Foreign exchange adjustment	65	12,159	(2,085)	7,591	-	17,730
At June 30, 2018	(927,601)	(474,520)	(8,883,596)	(8,599,960)	-	(18,885,677)
<b>Net book value</b>						
At September 30, 2017	\$ 631,758	\$ 85,245	\$39,536,193	\$41,105,841	\$ 6,989,436	\$ 88,348,473
At June 30, 2018	\$ 607,493	\$ 131,657	\$38,374,502	\$44,179,100	\$10,303,124	\$ 93,595,876

The Company's Mining Property consists of 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 is valid until May 17, 2020. 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 94% owned 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").

Mining operations at Songjiagou Gold Mine are carried out by Dahedong pursuant to a January 1, 2017 mining agreement between the Company and Dahedong. Under the agreement, Dahedong is responsible for carrying on mining operations including developing the mine; mining, transporting, and processing ore; and removing waste material for a term of 27 years. Zhongjia exercises full and final authority for the direction and supervision of the mining operations.

At June 30, 2018, the Company had a balance due to Dahedong of \$4,090,236 (September 30, 2017 – \$5,561,415) (Note 10). The amount bears no interest, unsecured, and due on demand. During the period ended June 30, 2018, the Company incurred \$11,513,115 (2017 - \$11,072,806) in mining and processing fees to Dahedong (Note 17).

**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the nine months ended June 30, 2018 and 2017**  
**(Unaudited - expressed in US dollars)**

**8. Property, plant and equipment (continued)**

**Songjiagou North**

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

The Company's current activity at the Songjiagou North property is an underground development with the development completion of three production levels expected for the end of fiscal 2018 or early fiscal 2019 and production to commence shortly thereafter.

**9. Exploration and evaluation assets**

**Other properties**

The Company has interests in certain other exploration and evaluation assets in China. No exploration or evaluation work is currently being pursued on these assets and the carrying value was previously impaired to \$2.

**10. Accounts payable and accrued liabilities**

	June 30, 2018	September 30, 2017
Trade and other payables	\$ 11,898,444	\$ 5,994,453
Amount due to Dahedong (Note 8 and 15)	4,090,236	5,561,415
<b>Total</b>	<b>\$ 15,988,680</b>	<b>\$ 11,555,868</b>

**11. Loans payable**

	June 30, 2018	September 30, 2017
Balance, beginning	\$ 16,944,078	\$ 19,775,928
Interest and fees expense	620,224	863,220
Banker's acceptance notes	5,937,408	4,380,494
Loan advances	9,458,180	16,825,535
Loan and interest repayments	(15,888,040)	(24,878,013)
Foreign exchange adjustment	87,483	(23,086)
<b>Balance, ending</b>	<b>\$ 17,159,333</b>	<b>\$ 16,944,078</b>

At June 30, 2018, the loans outstanding consist of:

- (i) a \$4,532,372 (CNY 30,000,000) (September 30, 2017 - \$4,508,228) one-year loan bearing an interest at 5.655% per annum. The loan was repaid on August 21, 2018. The loan is guaranteed by the company that provides gold concentrate refining services to the Company (Note 22);
- (ii) a \$3,021,582 (CNY 20,000,000) (September 30, 2017 - \$3,005,485) one-year loan bearing an interest at 5.3505% per annum and repayable on November 6, 2018. The loan is guaranteed by the company that provides gold concentrate refining services to the Company;
- (iii) a \$1,510,791 (CNY 10,000,000) (September 30, 2017 - \$1,502,743) one-year loan bearing an interest at 0.5075% per month and repayable on November 13, 2018. The loan is guaranteed by certain third parties, including Dahedong;

**Majestic Gold Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the nine months ended June 30, 2018 and 2017**  
**(Unaudited - expressed in US dollars)**

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**11. Loans payable (continued)**

- (iv) a \$1,510,791 (CNY 10,000,000) (September 30, 2017 - \$1,502,743) one-year loan bearing an interest at 7.63% per annum and repayable on January 3, 2019. The loan is guaranteed by Dahedong, the owner of Dahedong and by certain third parties;
- (v) a \$3,021,582 (CNY 20,000,000) (September 30, 2017 - \$3,005,485) one-year loan bearing an interest at 4.785% per annum. The loan is guaranteed by the company that provides gold concentrate refining services to the Company. The loan was renewed on April 4, 2018 with an interest rate of 5.0025% per annum and a maturity date of April 2, 2019;
- (vi) a \$906,474 (CNY 6,000,000) (September 30, 2017 - \$Nil) series of banker's acceptance notes. The notes are secured by the restricted cash. The remaining balance of the notes, if any, will bear interest at a daily rate of 0.05% should the restricted cash be insufficient to cover the notes presented for payment. These notes were settled on July 10, 2018 (Note 22);
- (vii) a \$755,395 (CNY 5,000,000) (September 30, 2017 - \$Nil) series of banker's acceptance notes. The notes are secured by the restricted cash. The remaining balance of the notes, if any, will bear interest at a daily rate of 0.05% should the restricted cash be insufficient to cover the notes presented for payment. These notes are due on October 3, 2018;
- (viii) a \$906,474 (CNY 6,000,000) (September 30, 2017 - \$Nil) series of banker's acceptance notes. The notes are secured by the restricted cash. The remaining balance of the notes, if any, will bear interest at a daily rate of 0.05% should the restricted cash be insufficient to cover the notes presented for payment. These notes are due on November 3, 2018;
- (ix) a \$906,474 (CNY 6,000,000) (September 30, 2017 - \$Nil) series of banker's acceptance notes. The notes are secured by the restricted cash. The remaining balance of the notes, if any, will bear interest at a daily rate of 0.05% should the restricted cash be insufficient to cover the notes presented for payment. These notes are due on November 30, 2018;
- (x) a \$67,986 (CNY 450,000) (September 30, 2017 - \$Nil) series of banker's acceptance notes. The notes are secured by the restricted cash. The remaining balance of the notes, if any, will bear interest at a daily rate of 0.05% should the restricted cash be insufficient to cover the notes presented for payment. These notes are due December 29, 2018; and
- (xi) accrued interest of \$19,410 (CNY 128,477) (September 30, 2017 - \$391,368) relating to the above loan.

**12. Financial guarantee**

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 as well as providing a refundable security deposit of CNY 15,000,000 (\$2,266,186) to Zhongjia for the duration of the loan. Should Baiheng go into default, the two mining permits will become transferable to Zhongjia and the security deposit will become non-refundable to Baiheng. 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.

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**13. Asset retirement obligation**

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

	June 30, 2018	September 30, 2017
Balance, beginning	\$ 2,442,059	\$ 2,625,922
Additions and changes in estimates of net present value	-	(189,742)
Accretion (Note 17)	69,917	-
Foreign exchange adjustment	11,293	5,879
Balance, ending	\$ 2,523,269	\$ 2,442,059

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the Songjiagou Gold Mine (Note 8). 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 3.70% (2017 – 3.70%) and an inflation rate of 1.6% (2017 – 1.6%). The majority of the expenditures are expected to occur in or after 2032.

**14. Share capital and Reserves**

**a) Authorized:**

Unlimited number of common shares without par value.

**b) Issued share capital:**

The Company had 980,226,381 common shares issued and outstanding as at June 30, 2018 (September 30, 2017 - 912,265,216).

**Nine months ended June 30, 2018**

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

**Nine months ended June 30, 2017**

On January 31, 2017, the Company issued 72,500,000 units at CAD\$0.135 per unit for total subscription proceeds of CAD\$9,787,500 (USD \$7,521,694). Each unit consisted of one common share and one common share purchase warrant, entitling the holder to purchase an additional common share at CAD\$0.155 for a period of two years from date of issuance. The Company applied residual method to account for the issuance of warrants and has recorded CAD\$1,812,500 (USD \$1,392,906) to the share-based payment reserve. The Company incurred share issue costs of CAD\$35,148 (USD\$27,011).

**c) Stock Options**

The Company has a shareholder approved "rolling" stock option plan (the "Plan") in compliance with the TSX-V's policies. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the discounted market price of the Company's stock at the date of grant. Such options will be exercisable for a period of up to 10 years from the date of grant. In

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**14. Share capital and Reserves (continued)**

**c) Stock Options (continued)**

connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not, within a twelve-month period, exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed, within a twelve-month period, two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The continuity for stock options for the nine months ended June 30, 2018 is as follows:

Expiry date	Exercise price	Balance September 30, 2017	Issued	Exercised	Expired/ Cancelled	Balance June 30, 2018
January 28, 2021	CAD\$0.12	27,700,000	-	-	-	27,700,000
Weighted average exercise price		CAD\$0.12	\$ -	\$ -	\$ -	CAD\$0.12

The weighted average remaining life of stock options outstanding at June 30, 2018 was 2.58 years.

**d) Share purchase warrants**

The continuity for share purchase warrants for the nine months ended June 30, 2018 is as follows:

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

The weighted average remaining life of share purchase warrants outstanding at June 30, 2018 was 0.59 years.

**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.

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**15. Related party transactions and balances**

**Related party transactions**

The Company incurred the following related party transactions during the three and nine months ended June 30, 2018 and 2017:

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Consulting fees charged by companies controlled by Directors and Officers of the Company - includes key management personnel	\$ 158,383	\$ 149,150	\$ 481,503	\$ 453,544
Mining and milling services charged by Dahedong (Note 8)	3,811,671	3,461,862	11,513,115	11,072,806
Interest charged by Dahedong	-	24,311	-	67,437
	\$ 3,970,054	\$ 3,635,323	\$ 11,994,618	\$ 11,593,787

**Key management personnel compensation**

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

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Short-term employee benefits—management fees	\$ 60,419	\$ 58,006	\$ 183,456	\$ 175,427
Director fees	40,116	38,512	123,206	119,127
	\$ 100,535	\$ 96,518	\$ 306,662	\$ 294,554

**Related party balances**

	June 30,		September 30,	
	2018		2017	
Amounts due to (from) companies controlled by Directors and Officers of the Company (Note 5)	\$	10,853	\$	(1,938)
Amounts due to Dahedong (Note 10)		4,090,236		5,561,415
Loan amounts due to Dahedong (Note 11)		-		1,885,193
	\$	4,101,089	\$	7,444,670

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

**16. 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 \$8,255 located in the Company's head-office in Vancouver, Canada. All of the Company's revenues are earned in China.



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**17. Revenue and Expenses**

**Revenue**

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Sales of gold bullion	\$ 10,428,907	\$ 8,107,699	\$ 27,324,360	\$ 21,621,182
Other revenue	91,242	85,765	265,457	253,779
<b>Total</b>	<b>\$ 10,520,149</b>	<b>\$ 8,193,464</b>	<b>\$ 27,589,817</b>	<b>\$ 21,874,961</b>

In February 2015, the Company became party to an agreement which allows a third-party use of the tailings pond for a fee of CNY 5.5 per tonne of ore processed to a maximum of 1,500 tonnes per day. The Company recorded revenue of \$265,457 under this agreement as other revenue during the nine months ended June 30, 2018 (2017 - \$253,779).

**Cost of sales**

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Contractor costs paid to Dahedong (Note 8 and 15)	\$ 3,811,671	\$ 3,461,862	\$ 11,513,115	\$ 11,072,806
Depreciation and depletion (Note 8)	1,090,767	811,187	3,208,373	2,330,001
Smelting costs	357,785	211,987	967,234	462,612
Resource taxes	319,463	282,871	806,302	678,775
Other direct costs	112,458	377,399	398,534	763,213
Changes in ending gold concentrate inventory	649,895	103,961	(392,123)	(15,816)
<b>Total</b>	<b>\$ 6,342,039</b>	<b>\$ 5,249,267</b>	<b>\$ 16,501,435</b>	<b>\$ 15,291,591</b>

**General and administrative**

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Consulting and management fees	\$ 225,867	\$ 156,758	\$ 541,745	\$ 473,370
Depreciation (Note 8)	71,240	9,593	206,109	169,838
Office and general	142,152	150,359	436,491	474,959
Professional fees	91,246	236	100,789	14,217
Salaries	205,907	211,181	625,342	610,382
Shareholder communications	3,262	10,937	17,784	26,038
Travel	149,871	90,027	360,524	295,021
<b>Total</b>	<b>\$ 889,545</b>	<b>\$ 629,091</b>	<b>\$ 2,288,784</b>	<b>\$ 2,063,825</b>

**Finance expense**

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Interest expenses (Note 11)	\$ 213,932	\$ 213,934	\$ 620,224	\$ 639,298
Accretion of asset retirement obligation (Note 13)	23,578	18,189	69,917	54,580
<b>Total</b>	<b>\$ 237,510</b>	<b>\$ 232,123</b>	<b>\$ 690,141</b>	<b>\$ 693,878</b>

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**18. 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.

**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

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**18. Risks and capital management (continued)**

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 June 30, 2018.

*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.

**19. Non-controlling interest**

The Company's 75% equity interest in Zhongjia is held by Majestic Yantai. The non-controlling interest represents the 25% equity interest in Zhongjia held by Dahedong and the 6% equity interest in Majestic Yantai held by another minority shareholder.

The following is the summarized consolidated statement of financial position of Majestic Yantai:

	June 30, 2018	September 30, 2017
Current:		
Assets	\$ 19,352,945	\$ 14,814,852
Liabilities	(29,775,965)	(25,755,421)
Total current net liabilities	(10,423,020)	(10,940,569)
Non-current		
Assets	95,065,823	89,325,739
Liabilities	(5,843,463)	(5,693,268)
Total non-current net assets	89,222,360	83,632,471
Balance, ending	\$ 78,799,340	\$ 72,691,902

The following is the summarized consolidated statement of comprehensive loss of Majestic Yantai:

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 10,520,149	\$ 8,193,464	\$ 27,589,817	\$ 21,874,961
Net income before income tax	3,547,760	2,396,680	9,399,679	4,785,327
Income tax expense	(785,818)	(634,228)	(1,926,762)	(750,542)
Net income	2,761,942	1,762,452	7,472,917	4,034,785
Other comprehensive income (loss)	(508,528)	(113,046)	134,748	2,773,361
Comprehensive income	\$ 2,253,414	\$ 1,649,406	\$ 7,607,665	\$ 6,808,146

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**20. Commitments**

**Operating lease commitments**

Refer to Note 8 for details of commitments resulting from the agreements with Dahedong.

	2018	2019	2020	2021	Total
Operating lease commitments:					
Office premises	\$ 5,848	\$ 24,195	\$ 25,571	\$ 10,894	\$ 66,508

**21. Deferred revenue**

During the nine-month period ended June 30, 2018, Zhongjia delivered 48kg's of finished gold as settlement of the amount borrowed and outstanding at September 30, 2017.

**22. Subsequent events**

Subsequent to June 30, 2018, the Company:

- (i) repaid a series of banker's acceptance notes for CNY 6,000,000 (\$906,474) on July 10, 2018;
- (ii) repaid its loan for CNY 30,000,000 (\$4,532,372) on August 21, 2018; and
- (iii) issued 25,000,000 shares pursuant to the exercise of 25,000,000 share purchase warrants at an exercise price of CAD\$0.155 per share purchase warrant for proceeds of CAD\$3,875,000 (\$2,933,375).