



**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022**

(Expressed in US dollars)

(Unaudited)

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

	Note	September 30, 2022 - \$ -	December 31, 2021 - \$ -
ASSETS			
Current assets			
Cash	4	51,518,792	34,867,831
Receivables	5	88,851	115,855
Deposits and prepaid expenses	6	1,006,738	596,532
Inventory	7	2,595,639	3,103,699
Current portion of other long-term assets	10	56,339	156,845
		55,266,359	38,840,762
Reclamation deposits	6	2,476,531	2,453,906
Property, plant and equipment	8	75,521,119	85,273,120
Exploration and evaluation assets	9	797	861
Deferred tax assets		794,229	848,205
Other long-term assets	10	660,358	620,168
		134,719,393	128,037,022
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	9,957,433	11,743,804
Current portion of long-term liabilities	15	1,061,936	1,181,763
Income taxes payable		10,423,325	7,133,997
Loans payable	12	4,225,471	4,705,365
		25,668,165	24,764,929
Asset retirement obligation	14	3,354,142	3,657,019
Deferred tax liability		102,050	1,053,449
Other long-term liabilities	15	5,177,961	5,750,063
		34,302,318	35,225,460
EQUITY			
Share capital	17	122,763,213	122,799,751
Reserves	17	8,106,180	14,094,201
Deficit		(45,376,337)	(54,491,705)
Equity attributable to owners of parent		85,493,056	82,402,247
Equity attributable to non-controlling interests	22	14,924,019	10,409,315
Total equity		100,417,075	92,811,562
		134,719,393	128,037,022
Nature of operations	1		
Commitments	15		

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
(Unaudited - expressed in US dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		- \$ -	- \$ -	- \$ -	- \$ -
Gold revenue	19	15,762,546	9,653,844	49,168,207	24,399,669
Cost of sales					
Operating expenses	19	5,234,768	3,606,423	17,172,736	9,413,129
Depreciation and depletion	8, 19	1,650,513	232,265	5,090,910	2,313,923
Gross profit		8,877,265	5,815,156	26,904,561	12,672,617
General and administrative	19	1,236,208	1,098,036	3,978,348	2,942,292
Exploration and evaluation expenditures	9	24,090	54,617	36,514	156,711
Suspension costs		-	2,319,916	-	2,319,916
Profit before other items		7,616,967	2,342,587	22,889,699	7,253,698
Other items					
Finance expense	19	93,474	173,704	315,484	489,158
Finance income		(119,726)	(86,608)	(276,385)	(191,219)
Foreign exchange (gain) loss		937,664	(145,734)	858,335	(275,815)
Other (income) expenses		(273,609)	97,869	(1,226,935)	948,930
(Gain) loss on sale of assets		(28,922)	-	(60,559)	150,534
Write-down of exploration and evaluation asset		-	-	-	70,200
		608,881	39,231	(390,060)	1,191,788
Net income before income tax		7,008,086	2,303,356	23,279,759	6,061,910
Income tax expense (recovery)		1,872,879	461,394	6,881,893	(1,802,480)
Net income for the period		5,135,207	1,841,962	16,397,866	7,864,390
Other comprehensive income (loss)					
Item that will not be reclassified to profit or loss:					
Exchange differences on translation of parent		(285,347)	(173,414)	(380,198)	(73,207)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		(3,762,010)	(259,106)	(8,375,617)	350,864
Total other comprehensive income (loss) for the period		(4,047,357)	(432,520)	(8,755,815)	277,657
Total comprehensive income for the period		1,087,850	1,409,442	7,642,051	8,142,047
Net income for the period attributable to:					
Owners of the parent		3,394,308	1,240,834	10,896,724	5,319,631
Non-controlling interests		1,740,899	601,128	5,501,142	2,544,759
		5,135,207	1,841,962	16,397,866	7,864,390
Comprehensive income for the period attributable to:					
Owners of the parent		(32,932)	868,769	3,127,347	5,959,349
Non-controlling interest		1,120,782	540,673	4,514,704	2,182,698
		1,087,850	1,409,442	7,642,051	8,142,047
Income per share attributable to owners of the parent- basic and diluted		0.00	0.00	0.02	0.01
Weighted average number of common shares outstanding - basic and diluted		1,042,664,381	1,046,487,588	1,042,724,271	1,047,308,912

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)

	Attributable to owners of the parent								Non-controlling interest	Total equity
	Number of shares	Share capital - \$ -	Share-based payment reserve - \$ -	Special Reserve - \$ -	Foreign currency translation reserve - \$ -	Deficit - \$ -	Total - \$ -			
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	
Shares cancelled under the NCIB	(1,059,000)	(49,806)	-	-	-	-	(49,806)	-	(49,806)	
Shares held in treasury under the NCIB	(1,129,000)	(53,099)	-	-	-	-	(53,099)	-	(53,099)	
Safety fund surplus reserve	-	-	-	(349,261)	(4,067)	353,328	-	-	-	
Statutory surplus reserve	-	-	-	12,049	(12,049)	-	-	-	-	
Dividend distribution	-	-	-	-	-	-	-	(3,091,572)	(3,091,572)	
Comprehensive income (loss)										
Net income for the period	-	-	-	-	-	5,319,631	5,319,631	2,544,759	7,864,390	
Other comprehensive income (loss)	-	-	-	-	639,718	-	639,718	(362,061)	277,657	
Total comprehensive income for the period	-	-	-	-	639,718	5,319,631	5,959,349	2,182,698	8,142,047	
Balance, September 30, 2021	1,045,538,381	122,902,838	11,593,055	2,163,943	(1,398,784)	(52,688,065)	82,572,987	12,466,263	95,039,250	

	Attributable to owners of the parent								Non-controlling interest	Total equity
	Number of shares	Share capital - \$ -	Share-based payment reserve - \$ -	Special Reserve - \$ -	Foreign currency translation reserve - \$ -	Deficit - \$ -	Total - \$ -			
Balance, December 31, 2021	1,043,664,381	122,799,751	11,593,055	3,206,141	(704,995)	(54,491,705)	82,402,247	10,409,315	92,811,562	
Shares cancelled under the NCIB	(700,000)	(36,538)	-	-	-	-	(36,538)	-	(36,538)	
Shares cancelled from treasury under NCIB	(300,000)	-	-	-	-	-	-	-	-	
Safety fund surplus reserve	-	-	-	(135,755)	4,243	131,512	-	-	-	
Statutory surplus reserve	-	-	-	1,475,006	437,862	(1,912,868)	-	-	-	
Comprehensive income (loss)										
Net income for the period	-	-	-	-	-	10,896,724	10,896,724	5,501,142	16,397,866	
Other comprehensive loss	-	-	-	-	(7,769,377)	-	(7,769,377)	(986,438)	(8,755,815)	
Total comprehensive income (loss) for the period	-	-	-	-	(7,769,377)	10,896,724	3,127,347	4,514,704	7,642,051	
Balance, September 30, 2022	1,042,664,381	122,763,213	11,593,055	4,545,392	(8,032,267)	(45,376,337)	85,493,056	14,924,019	100,417,075	

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 September 30,	
	2022	2021
	- \$ -	- \$ -
Cash provided from (used for):		
Operating activities:		
Net income for the period	16,397,866	7,864,390
Items not involving cash:		
Depreciation and depletion	5,403,092	3,242,883
(Gain) loss on sale of equipment	(60,559)	150,534
Finance expense	315,484	489,158
Write-down of exploration and evaluation assets	-	70,200
Net Income tax expense	5,988,741	1,026,111
Changes in non-cash working capital balances:		
Receivables	27,004	11,650
Deposits and prepaid expenses	(410,206)	(646,538)
Inventory	204,750	1,919,284
Current portion of loan receivable	84,509	-
Accounts payable and accrued liabilities	(639,166)	(615,828)
Effect of foreign exchange on working capital	422,715	(297,985)
Net Income tax paid	(2,632,569)	(2,506,865)
Interest paid	(81,219)	(361,098)
Net cash provided from operating activities	25,020,442	10,345,896
Investing activities:		
Expenditures on property, plant and equipment	(4,272,196)	(6,022,644)
Proceeds on sale of equipment	60,559	7,948
Loans receivable	(84,509)	(247,326)
Other long term assets	(18,931)	-
Reclamation deposits	(291,749)	(207,616)
Net cash used for investing activities	(4,606,826)	(6,469,638)
Financing activities:		
Lease payments	(20,133)	(13,069)
Village distributions	(120,705)	(123,910)
Loan advance	4,517,392	6,183,145
Loan repayments	(4,517,392)	(1,545,786)
Purchase of shares under NCIB	(36,538)	(102,905)
Non-controlling interests distribution	-	(3,091,572)
Net cash provided from (used for) financing activities	(177,376)	1,305,903
Effect of foreign exchange on cash	(3,585,279)	112,122
Net increase in cash	16,650,961	5,294,283
Cash, beginning	34,867,831	33,774,231
Cash, ending	51,518,792	39,068,514

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-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

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 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. At September 30 2022, the Company has a working capital of \$29,598,194. 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 September 30, 2022, 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 announced the provincial government in Shandong ordered 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. On April 29, 2021, and August 5, 2021, the Company obtained the governmental approvals to resume mining operations at the Songjiagou ("SJG") Underground Mine and SJG Open-Pit Mine respectively, following successful completion of the cautionary safety inspections.

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 November 25, 2022, 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 December 31, 2021.

These unaudited condensed consolidated interim financial statements of the Company are presented in US dollars unless otherwise noted.

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.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - 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 September 30, 2022	Percentage as at December 31, 2021
Persistence Resources Group Ltd. ⁽¹⁾	Cayman Island	94%	94%
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

⁽¹⁾ On May 31, 2022, the Company's subsidiary SINOGOLD Resources Holdings Group Co., Ltd. changed its name to Persistence Resources Group Ltd. ("PRG")

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 SJG Open-Pit Mine and SJG Underground Mine. These estimates are based on current Chinese environmental laws and regulations. Future changes to such laws and regulations as well as changes to the Company's intended mining operations could significantly impact this provision.

c) Impairment of the Company's mining assets

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

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

The Company has concluded that, as at September 30, 2022, 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.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

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

Use of estimates (continued)

The Company estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which the Company operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the losses deductible temporary difference can be utilized.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Company's results or financial position.

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 Persistence Resources Group 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.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

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.

Comparative figures

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

3. New accounting standards, interpretations and amendments

New accounting standards, interpretations and amendments issued not yet applied

Amendment to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period the following would be recognized:

- a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and
- the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The implementation of this amendment is not expected to have a material impact on the Company.

Amendment to IAS 1- Presentation of Financial Statements

The amendments to IAS 1 clarify the presentation of liabilities. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The implementation of this amendment is not expected to have a material impact on the Company.

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

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board of Directors has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its financial statements.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

4. Cash

At September 30, 2022, cash of \$46,241,978 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

	September 30, 2022	December 31, 2021
Sales taxes receivable	\$ 5,886	\$ 6,663
Other receivables	82,965	109,192
Total	\$ 88,851	\$ 115,855

6. Deposits and prepaid expenses

	September 30, 2022	December 31, 2021
Current:		
Prepayment for mining supplies and services	\$ 276,510	\$ 79,644
Rent deposit	10,869	9,724
Other prepayments and deposits	719,359	507,164
	<u>1,006,738</u>	<u>596,532</u>
Non-current:		
Reclamation deposits	2,476,531	2,453,906
Total	\$ 3,483,269	\$ 3,050,438

Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations at the SJG Open-Pit Mine and SJG Underground Mine.

7. Inventory

	September 30, 2022	December 31, 2021
Gold concentrate	\$ 312,073	\$ 402,382
Ore stockpile	1,252,096	1,552,639
Raw material	1,031,470	1,148,678
Total	\$ 2,595,639	\$ 3,103,699

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

8. Property, plant and equipment

Songjiagou Open-Pit Mine

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

During fiscal year 2020, the mining permit fee was initially assessed at \$14,669,935 (RMB 101.136 million) based on the estimated mineral resources available. During fiscal year 2021, Zhongjia received the Yantai Natural Resources Bureau's final valuation assessment of the mining permit fee of \$9,983,767 (RMB 74.12 million), payable over six years (Note 15). The outstanding mining fee was discounted over the payment term with the reduction of the mining permit fee of \$4,686,168 recognized in the mining property costs of fiscal year 2021.

Songjiagou Underground Mine

The SJG Underground Mine is also owned by Zhongjia and lies immediately north of the SJG Open-Pit Mine, 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 SJG Underground Mine 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 SJG Open-Pit Mine.

As at September 30, 2022 and December 31, 2021, Right of Use Lands include prepaid land leases and building leases.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

8. Property, plant and equipment (continued)

	Motor Vehicles	Office Furniture and Equipment	Building	Leasehold Improvements	Machinery	Mining Infrastructure	Mineral Property	Right of Use Lands	Total
Cost									
At December 31, 2020	\$ 696,631	\$ 654,838	\$ 14,595,651	\$ -	\$ 25,688,122	\$ 36,188,030	\$ 25,025,611	\$ 19,369,685	\$ 122,218,568
Additions	90,537	78,681	568,991	634,941	3,183,822	1,215,709	3,200,097	116,935	9,089,713
Change in mining permit valuation	-	-	-	-	-	-	(4,686,168)	-	(4,686,168)
Change in asset retirement cost	-	-	-	-	-	97,870	-	-	97,870
Disposal	(55,004)	(17,265)	(159,213)	-	(70,011)	-	-	(71,184)	(372,677)
Foreign exchange adjustment	16,701	15,706	337,780	7,140	634,970	871,184	677,359	449,078	3,009,918
At December 31, 2021	748,865	731,960	15,343,209	642,081	29,436,903	38,372,793	24,216,899	19,864,514	129,357,224
Additions	303,147	1,002	-	-	941,876	2,822,437	203,734	-	4,272,196
Disposal	(12,277)	-	-	-	-	-	-	-	(12,277)
Foreign exchange adjustment	(95,172)	(73,976)	(1,564,836)	(65,485)	(3,063,099)	(4,095,985)	(2,483,017)	(2,022,844)	(13,464,414)
At September 30, 2022	\$ 944,563	\$ 658,986	\$ 13,778,373	\$ 576,596	\$ 27,315,680	\$ 37,099,245	\$ 21,937,616	\$ 17,841,670	\$ 120,152,729
Accumulated depreciation									
At December 31, 2020	\$ (572,535)	\$ (482,325)	\$ (6,140,205)	\$ -	\$ (12,274,850)	\$ (9,964,010)	\$ (2,872,557)	\$ (6,842,854)	\$ (39,149,336)
Depreciation and depletion	(37,305)	(71,419)	(728,027)	(6,164)	(1,567,554)	(589,386)	(517,131)	(673,353)	(4,190,339)
Disposal	21,085	16,026	70,320	-	35,044	-	-	71,184	213,659
Foreign exchange adjustment	(13,580)	(11,668)	(151,086)	(70)	(304,483)	(239,799)	(73,038)	(164,364)	(958,088)
At December 31, 2021	(602,335)	(549,386)	(6,948,998)	(6,234)	(14,111,843)	(10,793,195)	(3,462,726)	(7,609,387)	(44,084,104)
Depreciation and depletion	(38,746)	(51,928)	(607,682)	(23,116)	(1,396,072)	(1,810,094)	(982,823)	(492,631)	(5,403,092)
Disposal	12,277	-	-	-	-	-	-	-	12,277
Foreign exchange adjustment	63,142	58,773	747,989	2,130	1,529,470	1,217,756	416,670	807,379	4,843,309
At September 30, 2022	\$ (565,662)	\$ (542,541)	\$ (6,808,691)	\$ (27,220)	\$ (13,978,445)	\$ (11,385,533)	\$ (4,028,879)	\$ (7,294,639)	\$ (44,631,610)
Net book value									
At December 31, 2021	\$ 146,530	\$ 182,574	\$ 8,394,211	\$ 635,847	\$ 15,325,060	\$ 27,579,598	\$ 20,754,173	\$ 12,255,127	\$ 85,273,120
At September 30, 2022	\$ 378,901	\$ 116,445	\$ 6,969,682	\$ 549,376	\$ 13,337,235	\$ 25,713,712	\$ 17,908,737	\$ 10,547,031	\$ 75,521,119

As at September 30, 2022, and December 31, 2021, certain of the Company's buildings were associated with land lease agreements with third parties which allow for the use of assets for the duration of the lease.

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9. Exploration and evaluation assets

	Sunset/Sunrise Mineral Property, British Columbia		Fair Adelaide East Project, Australia		Total
Balance at December 31, 2020	\$	858	\$	68,747	\$ 69,605
Write-down		-		(70,200)	(70,200)
Foreign exchange adjustment		3		1,453	1,456
Balance at December 31, 2021	\$	861	\$	-	\$ 861
Foreign exchange adjustment		(64)		-	(64)
Balance at September 30, 2022	\$	797	\$	-	\$ 797

Australia Lithium Tenements, Australia

On December 15, 2021 and again June 15, 2022, the Company entered into an amended letter of intent (“LOI”), with Western Explorers PTY Ltd., a private Australian corporation, to acquire a 65% interest in four separate tenements located in Western Australia, an area with demonstrated potential for the discovery of lithium oxide mineralization.

The terms of the amended LOI are as follows:

- Majestic has the right to carry out a technical review and preliminary exploration work on the tenements by June 15, 2022;
- provided that Majestic expends a total of A\$100,000 within the six-month period (completed), it shall have the right to acquire a 65% interest in the tenements by entering into a joint venture with Western Explorers. To earn its interest, the Company must contribute A\$1,000,000 over a period of two years for exploration and maintenance of the tenements;
- After Majestic has earned 65% interest in the joint venture, both parties shall contribute in cash for further exploration and exploitation in proportion to its ownership interest. If a Party does not contribute, then the other Party may subscribe for and contribute, in which case the ownership interest of the non-contributing Party may be diluted.

The Company is currently in negotiations to extend the term of the LOI with Western Explorers PTY Ltd..

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.

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9. Exploration and evaluation assets (continued)

Exploration and evaluation expenditures recorded in the statements of income and comprehensive income for the nine-month period ended September 30, 2022 and 2021 are as follows:

Nine months ended September 30, 2022	Fair Adelaide East Project, Australia	Australia Lithium Tenements	Sunset-Sunrise Property, British Columbia	General Exploration, China	Total September 30, 2022
Tenement and maintenance fees	\$ -	\$ 25,734	\$ 41	\$ -	\$ 25,775
Assay and analysis	-	2,989	-	-	2,989
Geological consulting	-	7,750	-	-	7,750
Total	\$ -	\$ 36,473	\$ 41	\$ -	\$ 36,514

Nine months ended September 30, 2021	Fair Adelaide East Project, Australia	Australia Lithium Tenements	Sunset-Sunrise Property, British Columbia	General Exploration, China	Total September 30, 2021
Tenement and maintenance fees	\$ -	\$ 22,673	\$ 42	\$ -	\$ 22,715
Drilling	73,582	-	-	-	73,582
Assay and analysis	26,938	-	-	-	26,938
Geological consulting	-	25,944	-	7,532	33,476
Total	\$ 100,520	\$ 48,617	\$ 42	\$ 7,532	\$ 156,711

10. Other long-term assets

At September 30, 2022, the Company had the following receivables in the amount of \$660,358 (December 31, 2021- \$620,168) with arm's length parties:

- (i) A zero-interest bearing installment loan of \$563,396 (RMB 4,000,000) to an arm's length farmers cooperation company. As at September 30, 2022, the outstanding loan amount was \$563,396 (RMB 4,000,000) (December 31, 2021 - \$627,382 (RMB 4,000,000)). The loan was provided in support of economic development to a village adjacent to Songjiagou Project as loan proceeds will be used for the construction of a greenhouse to support the agricultural economic development, social well-being and stability of the local communities comprising mainly villagers and farmers in the Muping District of Yantai. The loan is repayable in equal instalments over next ten years, with the first instalment, recorded as the current portion of other long-term assets, of \$56,339 (RMB 400,000) due on September 17, 2023;
- (ii) Advance payments for purchases of property plant and equipment of \$153,301 (RMB 1,088,411).

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11. Accounts payable and accrued liabilities

	September 30, 2022	December 31, 2021
Trade and other payables	\$ 4,710,199	\$ 5,894,945
Loan interest payables	-	5,686
Provisions	190,324	211,940
Amount due to Dahedong (Note 16)	5,056,910	5,631,233
Total	\$ 9,957,433	\$ 11,743,804

The balance due to Dahedong of \$5,056,910 (December 31, 2021 – \$5,631,233) 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, December 31, 2020	\$ 254,803	\$ 1,026,473	\$ 1,281,276
Change in estimate during the period	-	(981,376)	(981,376)
Utilized during the period	(105,717)	-	(105,717)
Effect of foreign exchange	4,774	12,983	17,757
Balance, December 31, 2021	153,860	58,080	211,940
Change in estimate during the period	-	-	-
Utilized during the period	-	-	-
Effect of foreign exchange	(15,692)	(5,924)	(21,616)
Balance, September 30, 2022	\$ 138,168	\$ 52,156	\$ 190,324

12. Loans Payable

	September 30, 2022	December 31, 2021
Balance, beginning	\$ 4,705,365	\$ 4,597,772
Loan advances	4,517,392	6,204,051
Loan repayments	(4,517,392)	(6,204,051)
Foreign exchange adjustment	(479,894)	107,593
Balance, ending	\$ 4,225,471	\$ 4,705,365

At September 30, 2022, the Company has a loan of \$4,225,471 (RMB 30,000,000) outstanding. The loan bears interest at 4.8% per annum and is repayable on August 25, 2023 and guaranteed by Dahedong, as well as two other parties.

13. Financial guarantees

The Company had provided the following financial guarantees:

- (i) On December 28, 2016, Zhongjia entered into a financial guarantee agreement whereby it 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 was such that the bank loan will become payable by Zhongjia should Baiheng default on the bank loan. As security, Baiheng pledged its two mining permits to Zhongjia. Should Baiheng go into default, the two mining permits would become transferable to Zhongjia. Further, in the event of default, Dahedong would become liable for the entire amounts that Zhongjia would make on behalf of Baiheng. If Dahedong is not able to repay the liabilities, it would transfer 5% out of its 25% interest in Zhongjia to Majestic Yantai. At December 31, 2021, Baiheng had fully settled the outstanding loans. Baiheng is a related party on the basis that it is controlled

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13. Financial guarantees (continued)

by significant shareholders of the Company;

- (ii) In January 2019, 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). In August 2021, Zhongjia was released from all liabilities and obligations under the corporate guarantee.

14. Asset retirement obligation

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

	September 30, 2022	December 31, 2021
Balance, beginning	\$ 3,657,019	\$ 3,367,253
Additions and changes in estimates of net present value	-	97,870
Accretion (Note 19)	74,941	110,751
Foreign exchange adjustment	(377,818)	81,145
Balance, ending	\$ 3,354,142	\$ 3,657,019

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the SJG Open-Pit Mine and SJG Underground 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 2.846% (2021 - 2.846%). The majority of the expenditures are expected to occur during or after 2030. As at September 30, 2022, the total undiscounted amount of estimated cash flows required to settle the Company's obligation was \$4,202,400 (RMB 29,836,200).

15. Other long-term liabilities

Other long-term liabilities are comprised of the following:

	September 30, 2022	December 31, 2021
Lease liability	\$ 57,396	\$ 78,919
Village distribution liability	1,039,788	1,232,164
Mining right obligation	4,080,777	4,438,980
Total	\$ 5,177,961	\$ 5,750,063

Current portion of other long-term liabilities are comprised of the following:

	September 30, 2022	December 31, 2021
Lease liability	\$ 24,048	\$ 26,000
Village distribution liability	150,539	167,636
Mining right obligation	887,349	988,127
Total	\$ 1,061,936	\$ 1,181,763

Lease liability

The Company has entered into an office lease agreement for its head office premise for a term ending in 2026. The undiscounted future lease payments are as follows:

	2022	2023	2024	2025	2026	Total
Operating lease commitments:						
Office premises	\$ 6,280	\$ 26,220	\$ 26,441	\$ 26,441	\$ 4,407	\$ 89,788

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15. Other long-term liabilities (continued)

Village distribution liability

Pursuant to agreements, the Company is required to make payments of RMB 1,068,800 (\$150,539) per annum to certain individuals registered as villagers in the village adjacent to the SJG Open-Pit 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%. As at September 30, 2022 the undiscounted future payments were \$1,543,029 (RMB 10,955,200).

Mining right obligation

Pursuant to the mining right acquisition addendum signed on December 2, 2021, the Company is required to make an annual payment of RMB 6,300,000 (\$887,349) until the year 2027. The liability reflects the present value of the required payments, discounted using the Company's incremental borrowing rate of 2.59%. As at September 30, 2022, the undiscounted future payments were \$4,658,582 (RMB 33,075,000).

16. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the three-month and nine-month period ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Consulting fees charged by companies controlled by directors and officers of the Company-includes key management personnel compensation	\$ 157,396	\$ 108,285	\$ 554,511	\$ 410,719

Key management personnel compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Short-term employee benefits—management fees	\$ 19,726	\$ 49,997	\$ 180,111	\$ 151,049
Director fees	3,384	3,572	18,322	10,790
	\$ 23,110	\$ 53,569	\$ 198,433	\$ 161,839

Related party balances

	September 30, 2022		December 31, 2021	
Amounts due to companies controlled by Directors and Officers of the Company	\$	6,515	\$	12,614
Amounts due to Dahedong (Note 11)		5,056,910		5,631,233
	\$	5,063,425	\$	5,643,847

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

Baiheng is a related party on the basis that it is controlled by significant shareholders of the Company (Note 13).

17. Share capital and Reserves

a) Authorized

Unlimited number of common shares without par value.

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17. Share capital and Reserves (continued)

b) Issued share capital

As at September 30, 2022, the Company had 1,042,664,381 common shares issued and outstanding (December 31, 2021 - 1,043,664,381).

On June 3, 2021, the Company commenced its NCIB. Under the NCIB the Company may purchase up to 5% of the issued common shares. As of June 2, 2022, the Company had purchased 5,062,000 of the eligible 52,386,319 common shares at a cost of \$242,530. During the nine-month period ended September 30, 2022, the Company purchased and cancelled 700,000 common shares at a cost of \$36,538 and cancelled an additional 300,000 common shares held in treasury.

c) Stock Options

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

There were no stock options issued, exercisable or outstanding for the nine-month period ended September 30, 2022.

d) 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.

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.

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18. 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 \$3,566 and an ROU asset with a net book value of \$73,075 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 for the nine-month periods ended September 30, 2022 and 2021, was from a single customer which amounted to 100% of the Company's revenue.

19. Revenue and Expenses

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Sales of gold bullion	\$ 15,762,546	\$ 9,653,844	\$ 49,168,207	\$ 24,399,669

Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Mining and Milling fees	\$ 4,180,028	\$ 1,678,497	\$ 13,635,208	\$ 6,399,108
Depreciation and depletion (Note 8)	1,650,513	232,265	5,090,910	2,313,923
Smelting costs	435,013	98,731	1,548,971	285,454
Resource taxes	566,264	345,014	1,765,749	872,015
Other direct costs	7,775	3,429	18,118	12,755
Changes in ending gold concentrate inventory	45,688	1,480,752	204,690	1,843,797
Total	\$ 6,885,281	\$ 3,838,688	\$ 22,263,646	\$ 11,727,052

General and administrative

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Consulting and management fees (Note 16)	\$ 172,178	\$ 169,221	\$ 601,747	\$ 467,799
Financial advisory	141,189	5,900	834,296	79,353
Depreciation (Note 8)	107,958	221,906	312,182	285,534
Office and general	352,642	178,098	666,903	456,846
Professional fees	7,432	5,250	51,639	51,318
Research and development	157,251	182,796	663,260	624,445
Salaries	210,152	214,369	551,763	617,094
Shareholder communications	4,496	6,526	35,496	30,479
Travel	82,910	113,970	261,062	329,424
Total	\$ 1,236,208	\$ 1,098,036	\$ 3,978,348	\$ 2,942,292

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19. Revenue and Expenses (continued)

Finance expense

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expenses and finances charges for loans payable	\$ 20,334	\$ 125,411	\$ 86,640	\$ 348,786
Interest expense for leases	1,134	3,114	3,461	3,910
Interest expense for other long-term liabilities	48,064	17,594	150,442	53,679
Accretion of asset retirement obligation (Note 14)	23,942	27,585	74,941	82,783
Total	\$ 93,474	\$ 173,704	\$ 315,484	\$ 489,158

20. 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 following summarizes the undiscounted amount of the remaining contractual maturities of the Company's financial liabilities:

	September 30, 2022				December 31, 2021	
	Within a year	2-5 years	Over five years	Total	Total	Total
Accounts payable and accrued liabilities	\$ 9,957,433	\$ -	\$ -	\$ 9,957,433	\$ 11,743,804	\$ 11,743,804
Loans	4,225,471	-	-	4,225,471	4,705,365	4,705,365
Other long-term liabilities	1,063,778	4,215,451	1,012,169	6,291,398	7,982,600	7,982,600
Total	\$ 15,246,682	\$ 4,215,451	\$ 1,012,169	\$ 20,474,302	\$ 24,431,769	\$ 24,431,769

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

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20. Risks and capital management (continued)

volatility factors the Company cannot control. A decrease in the price of gold could adversely affect the Company's financial condition, results of operations and cash flows. Lower gold prices may result in asset impairment, write-downs of mineral property carrying values and limitations in access to capital.

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

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

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash and reclamation deposits held in bank accounts that earn interest at variable interest rates. The Company's loans payable accrues interest at fixed rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of September 30, 2022.

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.

21. Financial Instruments

Fair Value

Management has assessed that the fair values of cash and cash equivalents, restricted and pledged deposits, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, deposits received and accruals, amounts due to related parties, other long-term liabilities and the interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of other long-term assets and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The following tables set forth the Company's financial assets and liabilities that are measured at fair value level on a recurring basis within the fair value hierarchy at September 30, 2022 and December 31, 2021 that are not otherwise disclosed. The assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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21. Financial Instruments (continued)

Financial assets	Level	September 30, 2022	December 31, 2021
Cash	1	\$ 51,518,792	\$ 34,867,831
Reclamation deposits	1	2,476,531	2,453,906
Receivables ⁽¹⁾	2	82,965	109,192
Other long-term assets	2	575,849	620,168
Total		\$ 54,654,137	\$ 38,051,097

⁽¹⁾ Receivables exclude sales and income tax receivables.

Financial liabilities	Level	September 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	2	\$ 9,957,433	\$ 11,743,804
Interest-bearing bank borrowings	2	4,225,471	4,705,365
Other long-term liabilities	2	6,239,897	6,931,826
Total		\$ 20,422,801	\$ 23,380,995

Fair value of the other financial instruments excluded from the table above approximates their carrying amount as at September 30, 2022 and December 31, 2021, due to the short-term nature of these instruments. There were no transfers into or out of Level 3 during the periods ended September 30, 2022 and December 31, 2021.

22. Non-controlling interest

The Company's equity interest in Zhongjia is held indirectly through its 94% owned subsidiary Persistence Resources Group Ltd. by way of PRG's 100% ownership interest in Majestic Yantai Gold. Majestic Yantai Gold 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 PRG held by another minority shareholder.

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

	September 30, 2022	December 31, 2021
Current:		
Assets	\$ 49,981,669	\$ 32,396,478
Liabilities	(32,553,483)	(36,255,068)
Total current net assets (liabilities)	17,428,186	(3,858,590)
Non-current		
Assets	78,929,129	89,094,360
Liabilities	(4,393,930)	(4,889,183)
Total non-current net assets	74,535,199	84,205,177
Balance, ending	\$ 91,963,385	\$ 80,346,587

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 15,762,546	\$ 9,653,844	\$ 49,168,207	\$ 24,399,669
Net income before income tax	6,942,268	2,619,624	23,657,241	7,740,260
Income tax recovery (expense)	(2,196,415)	(461,394)	(6,892,219)	1,802,480
Net income	4,745,853	2,158,230	16,765,022	9,542,740
Other comprehensive income (loss)	(3,500,290)	(363,093)	(7,731,863)	623,602
Comprehensive income	\$ 1,245,563	\$ 1,795,137	\$ 9,033,159	\$ 10,166,342

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine-month period ended September 30, 2022 and 2021
(Unaudited - expressed in US dollars)

22. Non-controlling interest (continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cash flow from operating activities	\$ 7,335,466	\$ 9,191,044	\$ 25,602,748	\$ 10,787,689
Cash flow used for investing activities	(1,897,717)	(1,880,179)	(4,606,826)	(6,469,614)
Cash flow provided from (used for) financing activities	4,572,707	(3,133,579)	(120,705)	1,421,877
Effect of foreign exchange on cash	(1,463,442)	(286,391)	(3,156,554)	113,574
Net increase in cash and cash equivalents	\$ 8,547,014	\$ 3,890,895	\$ 17,718,663	\$ 5,853,526