



**MANAGEMENT DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

*(Expressed in US dollars)*

**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Three Months Ended March 31, 2022**

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**INTRODUCTION**

The following Management Discussion and Analysis ("MD&A") dated May 11, 2022, discusses the financial condition and results of operations of Majestic Gold Corp. (TSX-V: MJS) ("Majestic" or "the Company") for the three months ended March 31, 2022. The MD&A should be read in conjunction with the accompanying unaudited condensed consolidated financial statements of the Company and notes thereto for the three months ended March 31, 2022 (the "Financial Report").

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

This discussion focuses on key statistics from the unaudited condensed consolidated financial statements for the three months ended March 31, 2022, and up to the date of this MD&A and pertains to known risks and uncertainties relating to the gold exploration and development and mining industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.majesticgold.com](http://www.majesticgold.com).

**CORONA VIRUS ("COVID-19") DISCUSSION**

The COVID-19 pandemic had a significant negative impact on global economic conditions in 2020 which resulted in significant volatility of commodity prices as well as increased economic uncertainty. Throughout 2021, there has been an economic recovery providing for more positive outlooks on commodity prices and general market and industry conditions as COVID-19 vaccination rates continue to increase and government restrictions are slowly eased.

**OPERATIONAL HIGHLIGHTS**

*Three months ended March 31, 2022*

- **Gold production** increased by 94% to 10,071 ounces, from 5,203 ounces produced for the FY2021 comparative period;
- **Gold revenue** was \$17 million, an increase of 194% from \$5.8 million for the FY2021 comparative period;
- **Gross profit** from mining operations increased by 194% to \$9.3 million, from \$3.2 million for the FY2021 comparative period;
- **Net income** was \$5.4 million, an increase of 15% from \$4.7 million for the FY2021 comparative period;
- **Adjusted EBITDA** was \$9.5 million, compared to \$3.5 million for the same period in FY2021. For EBITDA computation details, refer to pages 14-16 of the MD&A for this Non-IFRS financial measure;
- **Total cash costs and all-in sustaining costs ("AISC")** were \$659 per ounce and \$813 per ounce, compared to \$450 per ounce and \$758 per ounce for the same period in FY2021; For AISC computation details, refer to pages 14-16 of the MD&A for this Non-IFRS financial measure;
- On March 30, 2022, the Company announced that its 94% owned subsidiary, SINOGOLD Resources Holdings Group Co., Ltd. ("Sinogold") has submitted its application for listing of shares in the capital of Sinogold (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEX") concurrent with the proposed initial public offering of newly issued Shares of Sinogold representing 25% of its total issued and outstanding Shares upon successful listing of the Shares;
- On May 2, 2022, the Company announced results from its geochemical sampling program at its Australian tenements, confirming a northwest trending lithium anomaly coincident with elevated rubidium and potassium in the southwestern portion of the grid. The Company intends to follow up this program with a phase 2 program consisting of closer spaced grid geochemical sampling and a ground magnetometer survey in order to better define targets for a possible phase one drill program.

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**2022 OUTLOOK**

- The Company's management is focused on the HKEX listing application due diligence process with the expectation of successfully completing the proposed initial public offering of the Shares of Sinogold;
- As mining operations have resumed at the SJG Project, the Company has resumed its efforts on the expansion of SJG Open-Pit Mine;
- The Company intends to further its exploration work on Leonora tenement with a geochemical sampling program and ground magnetometer survey;
- As part of the Company's future growth strategy, Majestic continues to pursue potential property acquisitions, as well as other development opportunities.

**DESCRIPTION OF BUSINESS**

Majestic is a Vancouver, Canada based gold producer with mining operations in China and exploration and evaluation properties held directly or under option agreements in Australia, and Canada. The Company's main business involves the acquisition, exploration and development of mineral properties. At March 31, 2022, and at the date of this MD&A, the Company's mineral property interests and mining operations are located in China, with the Songjiagou Gold Mines as the Company's flagship project as well holding directly or under options on early-stage exploration properties in Australia and Canada. The Company is a TSX Venture Exchange Tier One listed mining company trading under the symbol "MJS".

**SONGJIAGOU GOLD MINES**

The Company's principal gold mining operations are the SJG Open-Pit Mine and the SJG Underground Mine located in Shandong province, China. The Company commenced commercial gold production at the SJG Open-Pit Mine in May 2011. Majestic holds its 75% interest in SJG Project through its 94% owned subsidiary SINOGOLD Resources Holdings Group Co. Ltd. indirectly. The remaining 25% of SJG Project is held by Yantai Dahedong Processing Co. Ltd. The Company's mining licenses for the SJG Open-Pit Mine and SJG Underground Mine are valid until May 17, 2031 and February 18, 2031 respectively.

**RESOURCES FOR SJG OPEN-PIT MINE**

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

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

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

**SJG UNDERGROUND MINE**

The SJG Underground Mine lies immediately north of the SJG Open-Pit Mine. 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, was renewed on February 18, 2021 and is valid until February 18, 2031. The mining license area covers a continuation of the gold mineralization that is currently being developed in the adjacent SJG Open-Pit Mine. The Company commenced production at SJG Underground Mine in October 2019.

Majestic's subsidiary – SINOGOLD has commissioned SRK to update technical report for SJG project in 2021. When the report is finalized, Majestic shall file it in due course of time.

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**EXPLORATION**

**Australia – Four Tenements in Western Australian**

On June 15, 2021, the Company entered into a letter of intent (“LOI”) and an amended LOI on December 15, 2021, 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 Company has completed its technical review of the tenements as well as conducted some preliminary exploration work on the Leonora Tenement. The Leonora project area is mostly covered by Tertiary and Quaternary alluvium and colluvium, and the depth of which is thought to be 5-15 metres over most of the area. A wide-spaced grid comprised of seven east-west lines spaced 200 metres apart were sampled on 100 metre stations, collecting a total of 62 samples using an auger to drill to about 50 cm holes and collect samples from the bottom of each hole. Results from this program confirm a northwest trending lithium anomaly coincident with elevated rubidium and potassium in the southwestern portion of the grid. Samples returned up to 24.3 ppm lithium, 70.5 ppm rubidium, and 1.35% potassium, confirming the results from the state government regional survey.

The Company intends to follow up this program with a phase 2 program consisting of closer spaced grid geochemical sampling and a ground magnetometer survey in order to better define targets for a possible phase one drill program.

**Tenement E36/918**

This tenement has been granted and consists of 2 blocks located 150 kms North of Leonora, about 50 kms north of Leinster, along the east side of the Kathleen Valley. The property is prospective for both lithium and tantalum and is underlain by the Norseman-Wiluna Greenstone Belt, within the Archaean Yilgarn Craton in Western Australia. Lithium mineralisation is hosted within spodumene-bearing pegmatites, which are part of a series of rare-metal pegmatites that formed at the edge of granite as well as within the greenstone belt in the region. Three kms to the west is Liontown Resource's Kathleen Valley project which has several mineralised pegmatites which are formed within the structure of the greenstone belt and have been modelled at the Kathleen Valley hosted by two outcropping northwest trending pegmatite swarms.

**Tenement E37/1334 (Leonora)**

This tenement has been granted and consists of six blocks located west of Leonora township, 230 kms North of Kalgoorlie and 700 kms northeast of Perth, in the Goldfields region. The project is in the Yilgarn craton granites on the West side of the Wiluna-Norsman structure. Lithium mineralization is formed along the periphery of the granite, at the edge of the greenstone belt. Although there is no outcrop of pegmatite in the tenement area, gold mining in the area by Sons of Gwalia Mining encountered pegmatites in their diggings. North trending fault structures splaying off the main Wiluna-Norsman structure will be prospected for lithium rich pegmatites in a first-pass program.

**Tenement E63/2110 (Kumarl)**

This tenement has been granted and is comprised of 10 blocks located 250 kms south of Kalgoorlie and 90 kms north of the port city of Esperance, about 700 kms east of Perth, along the Coolgardie-Esperance. The project is at the southern end of Wiluna-Norsman fault zone, along the periphery of the Yilgarn craton granites. Regionally, lithium mineralization is found in small scale pegmatite swarms along north-south trending faults, including the Buldania and Mt. Dean lithium occurrences. On this tenement, previously mapped splays off the main north-south fault zone will be prospected for lithium-bearing pegmatites.

**Tenement E77/2817 (Moorine)**

This tenement has been granted and is comprised of 8 blocks located 400 kms east of Perth and 20 kms south of Southern Cross, near the Great Eastern highway. The project is located within the Yilgarn craton granites, centred on a northwest trending fault structure similar to the Mt. Holland lithium project and on strike with the Mt. Hollenton pegmatite. At the south end of this district is Galaxy Resource's Mt. Cattlin lithium deposit.

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Summary of Terms of the Agreement:

- Majestic has until June 15, 2022, to carry out a technical review and preliminary exploration work on the tenements;
- Provided that the Company expends a total of A\$100,000 by June 15, 2022, (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.

**QUALIFIED PERSON**

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

**SELECTED FINANCIAL AND OPERATING RESULTS**

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Operating data</b>		
Gold produced (ozs)	10,071	5,203
Gold realized net of smelting fees (ozs)	9,168	4,802
Gold sold (ozs)	9,185	3,030
Average realized gold price (\$/oz sold)	\$ 1,847	\$ 1,904
Total cash costs (\$/oz sold) <sup>(1)</sup>	659	450
Total production costs (\$/oz sold) <sup>(1)</sup>	830	857
All-in sustaining costs (\$/oz sold) <sup>(1)</sup>	813	758
<b>Financial data</b>		
Gold revenue	\$ 16,966,985	\$ 5,770,486
Gross profit <sup>(2)</sup>	9,343,917	3,174,867
Adjusted EBITDA <sup>(1)</sup>	9,524,776	3,535,653
Net income	5,417,860	4,706,643
Net income attributable to shareholders	3,477,452	3,272,458
Basic and diluted income per share	0.01	0.00
	March 31, 2022	December 31, 2021
<b>Balance Sheet</b>		
Cash and cash equivalents	\$ 42,073,176	\$ 34,867,831
Total assets	134,969,306	128,037,022
Total current liabilities	25,456,090	24,764,929

(1) See "Additional Non-IFRS Financial Measures" on pages 15-17.

(2) "Gross profit" represents total revenues, net of cost of goods sold.

**RESULTS OF OPERATIONS**

**Gold Production**

	Three months ended	
(Ounces)	March 31, 2022	March 31, 2021
<b>Songjiagou Gold Mines</b>		
SJG Open-Pit Mine	9,273	4,770
SJG Underground Mine	798	433
Total	10,071	5,203

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The details of SJG Project Operations for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Production data</b>		
<i>SJG Open-Pit Mine</i>		
Tonnes mined	470,110	234,618
Tonnes milled	477,969	292,227
Head grade (g/t)	0.62	0.54
Mill recovery	95%	95%
Gold produced (ozs)	9,273	4,770
Gold realized net of smelting fees (ozs)	8,442	4,399
<i>SJG Underground Mine</i>		
Tonnes mined	15,000	8,092
Tonnes milled	15,000	8,092
Head grade (g/t)	1.68	1.70
Mill recovery	98%	98%
Gold produced (ozs)	798	433
Gold realized net of smelting fees (ozs)	726	403
<i>Total Songjiagou Gold Mines</i>		
Tonnes mined	485,110	242,710
Tonnes milled	492,969	300,319
Head grade (g/t)	0.66	0.57
Mill recovery	96%	95%
Gold produced (ozs)	10,071	5,203
Gold realized net of smelting fees (ozs)	9,168	4,802

Gold production was 10,071 ounces for the first quarter of FY2022, from 492,969 tonnes of ore milled with an average grade of 0.66 g/t and a 96% recovery rate, compared to 5,203 ounces produced, from 300,319 tonnes milled with an average grade of 0.57 g/t and a 95% recovery rate, for the FY2021 comparative quarter.

Gold production was lower in FY2021 due to the suspension of mining operations in February 2021, with operations resuming to full capacity at the SJG Open-Pit Mine in August 2021 and full capacity at the SJG Underground Mine in December 2021. Mining operations were suspended pending cautionary safety inspections ordered by the Shandong Provincial government following two mining accidents occurring in the region. During the temporary operation suspension, the Company was able to periodically process low-grade ore from its stockpile, but due to its lower grade and limited quantity available, the Company was not able to maintain its previous gold production levels.

**Gold Revenue**

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Gold</b>		
Ounces sold	9,185	3,030
Average realized price (\$/oz)	\$ 1,847	\$ 1,904
<b>Revenues</b>		
Gold	\$ 16,966,985	\$ 5,770,486

Gold revenue for the first quarter of FY2022 was \$17 million, from the sale of 9,185 ounces, at an average realized gold price of \$1,847 per ounce, compared to gold sales revenue of \$5.8 million for the FY2021 comparative quarter, from the sale of 3,030 ounces, at an average realized gold price of \$1,904 per ounce.

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**Cost of Sales**

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Ounces sold</b>	9,185	3,030
<b>Per ounce of gold sold <sup>(1)</sup></b>		
Cash costs	\$ 659	\$ 450
Production costs	830	857
<b>Cost of Goods Sold</b>		
Total cash costs	\$ 6,049,924	\$ 1,362,984
Total production costs	7,623,068	2,595,619

(1) See "Additional Non-IFRS Financial Measures" on pages 15-17.

Cash costs were \$659 per ounce for the first quarter of FY2022, compared to \$450 for the FY2021 comparative quarter. Production costs were \$830 per ounce for the first quarter of FY2022, compared to \$857 per ounce for the FY2021 comparative quarter.

The Company continues to work in maintaining its average cash costs below \$675 per ounce.

**Other Items**

The Company's general and administrative expenses ("G&A") expenditures were \$1,494,484 for the first quarter of FY2022, an increase of 64% from \$909,975 for the FY2021 comparative quarter.

The significant variances for the three months ended March 31, 2022 and 2021 are as follows:

Financial advisory expenditures for the first quarter of FY2022 were \$552,584 (FY2021 - \$18,216). The increase in financial advisory fees for the current quarter were due to the completion and filing of the HKEX listing application. The Company expects these costs to continue to be higher in 2022 over prior year periods as the Company continues to work through the listing application due diligence process;

Research and development expenditures for the first quarter of FY2022 were \$183,520 (FY2021 - \$255,440). These costs are related to the Company's initiative in developing and implementing new technologies in its mining operations, with the expectation of improving its recovery rates, operational efficiencies and reducing the environmental impact of its processing and mining activities.

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

The details of the changes in the consolidated G&A for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended	
	March 31, 2022	March 31, 2021
Consulting and management fees	\$ 175,569	\$ 146,720
Financial advisory	552,584	18,216
Depreciation	102,199	38,126
Office and general	201,641	123,469
Professional fees	29,998	7,983
Research and development	183,520	255,440
Salaries	160,981	209,662
Shareholder communications	21,925	13,441
Travel	66,067	96,918
<b>Total</b>	<b>\$ 1,494,484</b>	<b>\$ 909,975</b>

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Exploration and evaluation expenditures for the three months ended March 31, 2022 and 2021, were \$6,709 and \$99,314, respectively. These costs are related to the Company's preliminary exploration work on the Western Australian tenements held under a LOI.

The details of the changes in the consolidated finance expense for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended	
	March 31, 2022	March 31, 2021
Interest expenses and finances charges for loans payable	\$ 51,392	\$ 72,296
Interest expense for leases	1,169	681
Interest expense for other long-term liabilities	52,460	17,942
Accretion of asset retirement obligation	26,132	27,445
<b>Total</b>	<b>\$ 131,153</b>	<b>\$ 118,364</b>

**SUMMARY OF QUARTERLY RESULTS**

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

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Revenues	\$16,966,985	\$14,045,604	\$9,653,844	\$8,975,339
Net income (loss)	5,417,860	(\$146,728)	\$1,841,962	\$1,315,785
Income per share	0.01	(0.00)	0.00	0.00
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Revenues	\$5,770,486	\$14,962,881	\$13,919,283	\$13,169,364
Net income	\$4,706,643	\$3,789,196	\$4,726,768	\$4,392,775
Income per share	0.01	\$0.01	\$0.01	\$0.00

Significant variations in revenues between periods are primarily due to variances in gold sales, the volatility of gold prices as well as the temporary suspension of operations during fiscal 2021.

Significant variations in the net income between quarters are primarily due to the volatility of gold prices and variances in gold sales, production costs, G&A expenses. During the first quarter of 2021, the Company had a one-time tax recovery of \$2,822,027 (RMB 18,355,875) related to a retrospective change its corporate tax rate beginning in FY2020 to a rate of 15% from 25%. During the second and third quarters of 2021, mining operations were temporarily suspended, which impacted both the Company's revenue and net income. The net loss for the fourth quarter of 2021 was due to \$5.8 million of income tax expense recognized during the quarter.

**LIQUIDITY**

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

At March 31, 2022, the Company had cash of \$42.1 million (December 31, 2021 - \$34.9 million).



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The Company had working capital of \$21 million at March 31, 2022, improving from a working capital of \$14.1 million at December 31, 2021, of which the key components included:

- *Cash* - was \$42.1 million; up \$7.2 million from the end of fiscal 2021;
- *Receivable* – was \$0.2 million; up \$0.1 from the end of fiscal 2021;
- *Deposits and prepaid expenses* - was \$0.9 million, up \$0.3 million from the end of fiscal 2021;
- *Accounts payable and accrued liabilities* – was \$12.2 million, up \$0.4 million from the end of fiscal 2021;
- *Income tax payable* – was \$7.4 million, up \$0.3 million from the end of fiscal 2021;

Majestic began fiscal 2022, with \$34.9 million in cash. During the three months ended March 31, 2022, the Company generated \$7.7 million from the Company’s operating activities, net of working capital changes, expended \$0.6 million in investing activities and \$0.09 million in financing activities, and had a foreign exchange gain of \$0.2 million, to end at March 31, 2022 with \$42.1 million in cash.

Management considers its operating cash flows to be sufficient for the next twelve months in meeting its planned development, operational activities, and its current outstanding debts. The Company has been achieving consistent profits from its operations and with operations now approved to resume following the successful completion of the cautionary safety inspections, the Company’s anticipates gold production, gold revenues and profits will to continue to grow from its 2021 levels. The Company expects growth through increased production under the expanded mining permit and higher head grades being achieved in the open pit.

**CAPITAL RESOURCES**

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

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

**NORMAL COURSE ISSUER BID**

On June 3, 2021, the Company commenced its Normal Course Issuer Bid (NCIB”) under which the Company may purchase, over a 12-month period, up to 5% of the issued common shares. As of March 31, 2022, and at the date of this MD&A, the Company has purchased 5,062,000 of the eligible 52,386,319 common shares at a cost of \$242,530.

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

Authorized: an unlimited number of common shares without par value.	Common shares issued and outstanding
Outstanding at March 31, 2022 and at the date of this MD&A	1,042,664,381

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**TRANSACTIONS WITH RELATED PARTIES**

**Related party transactions**

The Company incurred the following related party transactions during the the three months ended March 31, 2022 and 2021:

	Three months ended	
	March 31, 2022	March 31, 2021
Consulting fees charged by companies controlled by directors and officers of the Company - include key management personnel compensation	\$ 156,438	\$ 149,410

**Compensation of key management personnel**

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

	Three months ended	
	March 31, 2022	March 31, 2021
Short-term employee benefits—management fees	\$ 49,770	\$ 49,745
Director fees	3,556	3,554
	\$ 53,326	\$ 53,299

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

**NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET APPLIED**

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of March 31, 2022, in preparing these consolidated financial statements.

**IAS 16 Property, Plant and Equipment**

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable.

**IAS 1, Presentation of Financial Statements**

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

**COMMITMENT AND CONTINGENCIES**

Commitments and contingencies include principal and interest payments of Company's bank loans, expenditure commitments on its mineral properties, and future aggregate minimum operating lease payments required under the operating leases as described in the Notes 12, 13, and 14 to the Financial Report.

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**OFF-BALANCE SHEET ARRANGEMENTS**

The Company from time to time enters into various off-balance sheet arrangements in the ordinary course of business. At March 31, 2022, the Company does not have any off-balance sheet arrangements.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial instruments**

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

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

Impairment of financial assets

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

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

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

Financial liabilities

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

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

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

Fair value

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial

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instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks. The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

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

Financial assets	Level	March 31, 2022	December 31, 2021
Cash	1	\$ 42,073,176	\$ 34,867,831
Reclamation deposits	1	2,466,463	2,453,906
Receivables <sup>(1)</sup>	2	201,783	109,192
Other long-term assets	2	622,493	620,168
Total		\$ 45,363,915	\$ 38,051,097

<sup>(1)</sup> Receivables exclude sales and income tax receivables.

Financial liabilities	Level	March 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	2	\$ 12,157,459	\$ 11,743,804
Interest-bearing bank borrowings	2	4,725,749	4,705,365
Other long-term liabilities	2	6,967,683	6,931,826
Total		\$ 23,850,891	\$ 23,380,995

**Risk Management**

**Credit Risk**

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

**Liquidity Risk**

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

	March 31, 2022			December 31, 2021	
	Within a year	2-5 years	Over five years	Total	Total
Accounts payable and accrued liabilities	\$ 12,157,459	\$ -	\$ -	\$ 12,157,459	\$ 11,743,804
Loans	4,725,749	-	-	4,725,749	4,705,365
Other long-term liabilities	1,187,172	2,732,696	3,047,815	6,967,683	6,931,826
Total	\$ 18,070,380	\$ 2,732,696	\$ 3,047,815	\$ 23,850,891	\$ 23,380,995

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**Industry Risk**

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

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

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

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

**Market Risk**

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

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash and reclamation deposits held in bank accounts that earn interest at variable interest rates. The Company's loans payable accrues interest at fixed rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of March 31, 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.

**DIRECTORS**

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

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Audit Committee of the Board of Directors. The financial statements were prepared by management in accordance

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with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

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

**RISKS AND UNCERTAINTIES**

Risks and uncertainties information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's annual MD&A for the year ended December 31, 2021.

**ADDITIONAL NON-IFRS FINANCIAL MEASURES**

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

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

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

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

*"All-in sustaining cash costs per ounce"* ("AISC") is a performance measure that reflects the expenditures that are required to produce an ounce of gold from current operations. While there is no standardized meaning of the measure across the industry, the Company's definition is derived from the definition, as set out by the World Gold Council in its guidance dated June 27, 2013 and November 16, 2018, respectively. The World Gold Council is a non-regulatory, non-profit organization established in 1987 whose members include global senior mining companies. The Company believes that this measure is useful to external users in assessing operating performance and the ability to generate free cash flow from operations.

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

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

	Three months ended	
	March 31, 2022	March 31, 2021
Revenue	\$ 16,966,985	\$ 5,770,486
Cost of sales, net of depreciation and depletion	(6,049,924)	(1,362,984)
G&A, net of depreciation	(1,392,285)	(871,849)
<b>Adjusted EBITDA</b>	<b>\$ 9,524,776</b>	<b>\$ 3,535,653</b>

The following table provides a reconciliation of adjusted EBITDA to the consolidated financial statements for the three months ended March 31, 2022 and 2021:

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Net Income (Loss)</b>	<b>\$ 5,417,860</b>	<b>\$ 4,706,643</b>
Depreciation and depletion	1,675,343	1,270,761
Exploration and evaluation expenditures	6,709	99,314
Finance expense, net of finance income	61,113	39,720
Foreign exchange loss (income)	64,140	(1,744)
Other expenses	(274,611)	3,536
Income tax expense (recovery)	2,574,222	(2,582,577)
<b>Adjusted EBITDA</b>	<b>\$ 9,524,776</b>	<b>\$ 3,535,653</b>

The following tables provide reconciliation to the consolidated financial statements of total cash costs per ounce, and total production costs per ounce as disclosed in this MD&A to the consolidated financial statements for the three months ended March 31, 2022 and 2021:

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Gold sold (ozs)</b>	<b>9,185</b>	<b>3,030</b>
<b>Total cash costs per ounce</b>		
Mining and Milling fees	\$ 4,904,773	\$ 2,828,699
Smelting costs	582,298	126,021
Resource taxes	606,376	206,235
Other direct costs	4,582	6,751
Changes in ending gold concentrate inventory	(48,105)	(1,804,722)
<b>Total cash costs</b>	<b>\$ 6,049,924</b>	<b>\$ 1,362,984</b>
<b>Per ounce sold</b>	<b>\$ 659</b>	<b>\$ 450</b>
<b>Total production costs per ounce</b>		
Total cash costs	\$ 6,049,924	\$ 1,362,984
Depreciation and depletion	1,573,144	1,232,635
<b>Total production costs</b>	<b>\$ 7,623,068</b>	<b>\$ 2,595,619</b>
<b>Per ounce sold</b>	<b>\$ 830</b>	<b>\$ 857</b>
<b>All-in sustaining costs per ounce</b>		
Total cash costs	\$ 6,049,924	\$ 1,362,984
G&A, net of depreciation	1,392,285	871,849
Sustaining capital expenditures <sup>(1)</sup>	21,913	61,816
<b>All-in sustaining costs</b>	<b>\$ 7,464,122</b>	<b>\$ 2,296,649</b>
<b>Per ounce sold</b>	<b>\$ 813</b>	<b>\$ 758</b>

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

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The following table reconciles sustaining capital expenditures to the Company's total additions as reported in the consolidated statements of cash flows for the three months ended March 31, 2022 and 2021:

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Additions to property, plant and equipment</b>		
Songjiagou Gold Mine and Underground Mine	\$ 543,139	\$ 3,305,636
Sustaining capital	21,913	61,816
	<b>\$ 565,052</b>	<b>\$ 3,367,452</b>

**FORWARD-LOOKING STATEMENTS**

This MD&A contains or incorporates by reference "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labor and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the year ended December 31, 2021, filed with the applicable securities regulatory authorities and available at SEDAR [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives, and may not be appropriate for other purposes.