Majestic Gold Corp.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the six months ended March 31, 2016

(Expressed in US dollars)

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Majestic Gold Corp. ("Majestic" or "the Company") should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the six months ended March 31, 2016 and 2015, (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.

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

This MD&A contains information to May 27, 2016.

This discussion focuses on key statistics from the unaudited condensed consolidated interim financial statements for the period ended March 31, 2016 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.

2016 SECOND QUARTER OVERVIEW

- Gold production from the Songjiagou Gold Mine was 5,498 ounces for the second quarter of 2016, compared to 4,807 ounces produced in the second quarter of 2015;
- Tonnes milled for the quarter ended March 31, 2016, were 442,331 tonnes with an average head grade of 0.44 g/t, compared to 364,232 tonnes milled, with an average head grade of 0.42 g/t, for the comparative quarter of 2015;
- Gold sales revenue was $10.3 million for quarter ended March 31, 2016, from the sale of 9,259 ounces, at an average realized gold price of $1,115 per ounce, compared to gold sales revenue of $5.9 million from the sale of 4,501 ounces, at an average realized gold price of $1,309 per ounce, for the comparative quarter of 2015;
- For the second quarter ended March 31, 2016, cash costs were $1,004 per ounce, production costs were $1,076 per ounce and all-in sustaining costs were $1,188 per ounce compared to cash costs of $1,135 per ounce, production costs of $1,256 per ounce and all-in sustaining costs of $1,304 per ounce for the comparative quarter of 2015;
- General and administrative ("G&A") expenses were $630,546 for second quarter of 2016 (2015 Q2 - 694,763);
- On January 21, 2016 the Company announced it had filed an amended technical report titled "Independent Technical Report of Songjiagou Project, Shandong Province, The People's Republic of China" dated January 19, 2016 as prepared by SRK Consulting (China) Ltd.; and
- On January 28, 2016, the Company granted 27,700,000 stock options at an exercise price of CAD$0.12 exercisable for a term of five years under normal vesting terms.

OUTLOOK

The Company's priority for fiscal 2016, continues to be the optimization of its mining operations through the implementation of the grade control program as well as the development and implementation of an optimized mine plan.

DESCRIPTION OF BUSINESS

Majestic is a Vancouver, Canada based gold producer with mining operations in China. The Company's main business involves the acquisition, exploration and development of mineral properties. At March 31, 2016, and at the date of this MD&A, all of the Company's mineral property interests and mining operations are located in China. The Company is a TSX Venture Exchange listed mining company trading under the symbol "MJS".

The Company's principal mining operation is the Songjiagou Gold Mine ("Songjiagou Project" and "Songjiagou"), of the Muping mineral property, located in Shandong province, China. Majestic holds its interest in Muping through its 94% owned subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai"). The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011.

SONGJIAGOU GOLD MINE

The Songjiagou Gold Mine is the Company's flagship project. The Company began commercial production in May 2011 using process facilities with a capacity of 6,000 tpd throughput. The Company's joint venture partner Yantai Dahedong Processing Company Ltd., ("Dahedong") has held the contract to mine and process ore since startup.

RESOURCE

On January 21, 2016, pursuant to a disclosure review by the British Columbia Securities Commission ("BCSC") (see news release dated December 21, 2015), 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 of the initial technical report in support of the Preliminary Economic Assessment ("PEA") for the Songjiagou Gold Mine dated August 2, 2013, and prepared by SRK Consulting (China) Ltd. The Amended Report is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website www.majesticgold.com.

Changes in the Amended Report included the following:

- Explanation to capping of High Grade samples at 40 g/t gold;
- Reporting open-pit resources and underground resources by using different cut-off grades;
- Excluding the depletion of historical underground mining in the resource statements and the PEA;
- Including taxation in the economic analysis in the PEA;
- Addition of a Qualified Person ("QP"), Peter Fairfield, BEng, FAusIMM, for mining aspects of the technical report, as well as amending the certificates and consents of QP's to ensure that at least one qualified person is responsible for each section of the Amended Report;
- Addition of cautionary language relating to the mineral resource estimate and results of the PEA;
- The Amended Report includes an updated resource estimate of Indicated and Inferred Resources at Songjiagou Gold Mine, as follows:

Original Resource (in report dated August 2, 2013)
Global Resource

Open Pit	
Indicated (MT)	**Inferred**
(0.30 g/t Au) cutoff	(0.30 g/t Au) cutoff
28.6 MT @ 1.38 g/t Au	35.3 MT @ 1.43 g/t Au

Within Original Mining License

Open Pit	
Indicated (MT)	**Inferred**
(0.30 g/t Au) cutoff	(0.30 g/t Au) cutoff
25.9 MT @ 1.42 g/t Au	28.7 MT @ 1.35 g/t Au

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

Global Resource

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

Within Original Mining License

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

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

- The amended resource estimate accounted for depletion by previous underground mining of an amount of 443,555 tonnes at an average grade of 0.85 g/t gold;
- The Amended Report designated Scenario 1 as a base-case for PEA of the Songjiagou operation. Scenario 1 allows for mining of only Indicated Resources, within the original mining license, at a rate of up to 7,400 tonnes per day. Results of the base-case analysis, using US$1,355 per ounce gold as the long term price are as follows:
    - Mining Inventory: 17.094MT @ 1.36 g/t gold
    - Stripping Ratio: 3.26:1
    - Mining Recovery: 95%
    - Mining Dilution: 5%
    - Smelting Recovery: 93%
    - After-tax NPV @ 10% discount rate: US$335 Million
    - Sensitivity analysis for 20% reduction in the base-case average gold price (US$1,084 per ounce) results in an after-tax NPV of US$232 Million

A PEA should not be considered to be a prefeasibility or feasibility study, as the economics and technical viability of the 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.

PRELIMINARY ECONOMIC ASSESSMENT

The Company's Amended Report dated January 19, 2016, is an amendment to the initial technical report in support of the Preliminary Economic Assessment ("PEA") for the Songjiagou Gold Mine, filed on August 21, 2013, and prepared by SRK Consulting (China) Ltd..

A summary of the main sections of the PEA are as follows:

Operating Cost

The following parameters were used to estimate the operating cost in the PEA:

- Mining cost: US$ 1.79/t (RMB 11.3/t). Mining costs are assumed to increase by US$ 0.05/t (RMB 0.3/t) annually;
- Stripping cost: US$ 1.36 (RMB 8.55/t). Stripping costs are assumed to increase by US$ 0.05/t (RMB 0.3/t) annually);
- Processing cost: US$ 7.55/t (RMB 47.46/t);
- Administration cost: US$ 0.72/t (RMB 4.50/t);

- Resource tax: US$ 0.72/t (RMB 5/t);
- Mineral resource compensation fee: US$ 31,830/year (RMB 200,000/year);
- Smelting cost: US$ 15.91/t (RMB 100/t) of dry gold concentrate; and
- Exchange rate: US$1 = RMB 6.2834 (CDN$ 1 = RMB 6.2789).

Mining Methods

Mining activities have been outsourced to Dahedong, and mining equipment is also being supplied by the contractor. The PEA is based on conventional open pit mining using excavators to load 40 tonne trucks which haul ore to the processing plant - a distance of about 4 km. Ore break is by self-propelled air track drills. Benches are 12 m high. The overall slope of the pit is 48°. The mine is scheduled to operate 330 days per year, 3 shifts per day and 8 hours per shift.

Recovery Methods

The Songjiagou Gold Mine has three processing plants. Two of them were put into operation in 2006 with capacities of 200 tpd and 1,200 tpd and the third was put into operation in May 2011 with a capacity of 6,000 tpd. The 1,200 tpd mill is not being utilized at this time; all material mined currently is processed in the 6,000 tpd mill.

During the year ended September 30, 2015, the 200 tpd mill was upgraded to a 2,000 tpd mill by a third party, YE Zhifan ("Zhifan"), to process waste material from Songjiagou (< 0.30 g/t). Zhifan has paid all costs associated with the upgrade of the mill. The Company is also party to a February 1, 2015, agreement which allows Zhifan use of the tailings pond for a fee of CNY 5.5 per tonne of ore processed to a maximum of 1,500 tonnes per day.

Similar flowsheets are adopted in the 1,200 tpd plant and the 6,000 tpd plant. The flow sheet comprises conventional three-stage crushing and grinding in a closed circuit. The slurry is subjected to a flotation circuit comprising of one stage of roughing, one stage of cleaning, and two stages of scavenging. The gold concentrate is dehydrated and then sent for metallurgical processing at a nearby smelter.

The Company has been unable to realize the full potential of the Songjiagou Gold Mine, due, in a large part, to the lack of consistent grade control of the material entering the mill after being mined in the pit. The Company's management is currently limiting production to the capacity of the 6,000 tpd mill as the Company continues to work on the implementation of its grade control program, and the development of an optimized mine plan at Songjiagou.

EXPLORATION

On August 6, 2015, the Company entered into a non-binding Letter of Intent ("LOI") with Yantai Baiheng Gold Mining Co. Ltd. ("Baiheng") on the Shuang Shan Tun and Xia Yu Cun properties, located in the Muping-Rushan Gold Belt in Shandong Province, China.

The LOI is, in principal, a due diligence agreement that allows Majestic a 12 month detailed due diligence period, after which the Company has the option to enter into a definitive agreement for one or both of the properties. During the due diligence period, Majestic will also hold the right of first refusal over any third party proposal similar in nature to those being contemplated.

The completion of the joint venture is subject to the completion of due diligence on exploration and development work completed on the properties to date, the completion of a scoping study-level evaluation of the properties, as well as the approval of the TSX Venture Exchange and all other required regulatory, corporate and security holder approvals. During the due diligence period and prior to entering into a definitive agreement with Baiheng, Majestic does not have any obligations to Baiheng.

The Shuang Shan Tun and Xia Yu Cun properties are both small tonnage, medium-high grade underground gold projects that have been developed as small scale producers. Majestic intends to determine the economic viability of larger scale development of either property on a joint venture basis.

On September 18, 2014, the Company announced that Zhongjia has entered into a non-binding Letter of Intent with China Shandong No. 3 Mineral and Geological Exploration Institute ("No. 3 Brigade") to explore, and if appropriate, develop the Jincheng Gold Property ("Jincheng"), a 14.72 square kilometer concession contiguous with the Songjiagou Gold Mine.

Terms of the joint venture provide for Zhongjia to earn an 80% interest in the Jincheng Gold Property, based on an evaluation of prior work done on Jincheng that is to be determined by an independent evaluator that is mutually acceptable to Zhongjia and the No. 3 Brigade. Zhongjia may earn into 80% of Jincheng by paying an amount equal to 80% of the evaluation amount. Once the joint venture is established, the companies agree to fund exploration and development of Jincheng on an 80/20 basis. Should the No. 3 Brigade choose not to fund their portion, their interest in the joint venture will dilute to a level no less than 8%.

As at March 31, 2016 and the date of this MD&A, no independent evaluation of the Jincheng Gold Property has been completed and the letter of intent is non-binding; therefore no liability has been recognized for Zhongjia's 80% interest at March 31, 2016.

The Jincheng Gold Property is contiguous with Majestic's Songjiagou property to the north and east. Jincheng mirrors the Songjiagou Gold Mine area geologically as both are situated in close proximity to major regional fault systems, the northeast trending Yazi fault zone and the northwest trending Tanjia fault zone. Both properties are predominantly underlain by Cretaceous aged conglomerate and related clastic sediments of the Laiyang Group near the basin margin.

QUALIFIED PERSON

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

SELECTED FINANCIAL INFORMATION

	Three months ended March 31, 2016	Three months ended March 31, 2015	Six months ended March 31, 2016	Six months ended March 31, 2015
Operating data				
Gold produced (ozs)	5,498	4,807	12,711	9,871
Gold realized net of smelting fees (ozs)	5,207	4,476	12,183	9,271
Gold sold (ozs)	9,259	4,501	12,796	9,967
Average realized gold price ($/oz sold)	$ 1,115	$ 1,309	$ 1,148	$ 1,269
Total cash costs ($/oz sold) (1)	1,004	1,135	1,012	1,136
Total production costs ($/oz sold) (1)	1,076	1,256	1,133	1,255
All-in sustaining costs ($/oz sold) (1)	1,188	1,304	1,197	1,283
Financial data				
Total revenues	$ 10,434,943	$ 5,889,843	$ 14,879,403	$ 12,652,735
Gross profit (loss) (2)	475,669	235,283	379,491	142,912
Net loss attributable to shareholders	(1,454,033)	(544,256)	(2,003,032)	(1,468,444)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	March 31, 2016	September 30, 2015
Balance Sheet		
Cash and cash equivalents	$ 10,032,294	$ 6,981,718
Total assets	94,481,844	95,679,706
Total debt	30,961,676	30,297,103

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

RESULTS OF OPERATIONS

Gold Production

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Production data				
Tonnes mined	377,867	384,945	918,472	819,037
Tonnes milled	442,331	364,232	860,881	795,918
Head grade (g/t)	0.44	0.42	0.51	0.42
Mill recovery	89%	88%	90%	88%
Gold produced (ozs)	5,498	4,807	12,711	9,871
Gold realized, net of smelting fees (ozs)	5,207	4,476	12,183	9,271

Tonnes milled for the three months ended March 31, 2016, were 442,331 tonnes with an average head grade of 0.44 g/t, compared to 364,232 tonnes milled, with an average head grade of 0.42 g/t, for the comparative period. The Company estimates the average head grade will continue to be in the range of 0.45 g/t until the grade control program and optimized mine plan are in place.

Total gold produced for the second quarter March 31, 2016, was 5,498 ounces, compared to 4,807 ounces produced for the comparative quarter of 2015. The Company expects gold production to continue to quarterly average in the range of 5,000 ounces until it has fully implemented its grade control program and optimized mine plan;

Total gold produced for the six months ended March 31, 2016, was 12,711 ounces, compared to 9,871 ounces produced for the comparative period. The increase of gold production for the 2016 period can be primarily attributed to the recovery and processing, in the first quarter of fiscal 2016, of approximately 30,000 tonnes of fine fraction material of a higher grade than the overall grade of ore throughput to the mill.

Total gold realized was 5,207 ounces for the second quarter of 2016, compared to 4,476 ounces realized in the comparative quarter. For the six months ended March 31, 2016, total gold realized was 12,183 ounces compared to 9,271 ounces realized in the comparative period of 2015.

Revenues

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Gold				
Ounces sold	9,259	4,501	12,796	9,967
Average realized price ($/oz)	$ 1,115	$ 1,309	$ 1,148	$ 1,269
Revenues				
Gold	$ 10,327,091	$ 5,889,843	$ 14,686,316	$ 12,652,735
Other income	107,852	-	193,087	-
	$ 10,434,943	$ 5,889,843	$ 14,879,403	$ 12,652,735

Gold sales revenue was $10.3 million for the quarter of 2016, from the sale of 9,259 ounces, at an average realized gold price of $1,115 per ounce, compared to gold sales revenue of $5.9 million from the sale of 4,501 ounces, at an average realized gold price of $1,309 per ounce, for the 2015 comparative quarter. Gold sales revenue increased in the current quarter over the comparative quarter of 2015, due to an additional 4,758 ounces being sold. The increased revenue was partially offset due to a drop in the average realized price per ounce of $194 in the current quarter.

Gold sales revenue was $14.7 million for the six months ended March 31, 2016, from the sale of 12,796 ounces, at an average realized gold price of $1,148 per ounce, compared to gold sales revenue of $12.7 million from the sale of 9,967 ounces, at an average realized gold price of $1,269 per ounce, for the comparative period of 2015.

Revenues also included $107,852 for the three months ended March 31, 2016, and $193,087 six months ended March 31, 2016 of revenue from a February 1, 2015 agreement to which the Company is a party to. The agreement allows a third party use of the tailings pond for a fee of CNY 5.5 per tonne of ore processed to a maximum of 1,500 tonnes per day.

Cost of Goods Sold

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Ounces sold	9,259	4,501	12,796	9,967
Per ounce of gold sold (1)				
Cash costs	$ 1,004	$ 1,135	$ 1,012	$ 1,136
Production costs	1,076	1,256	1,133	1,255
Cost of Goods Sold				
Total cash costs	$ 9,298,024	$ 5,107,356	$ 12,950,768	$ 11,324,886
Total production costs	9,959,274	5,654,560	14,499,912	12,509,823

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

For the quarter end March 31, 2016, cash costs per ounce were $1,004 (2015 - $1,135/oz) and production costs per ounce were $1,076 (2015 - $1,256/oz).

For the six months ended March 31, 2016, cash costs per ounce were $1,012 (2015 - $1,136/oz) and production costs per ounce were $1,133 (2015 - $1,255/oz).

Other Items

The more significant other items for the three and six months ended March 31, 2016 and 2015 are discussed below.

The Company's continued to control its G&A expenditures which were $630,546 for the second quarter of 2016, compared to $694,763 expended in the comparative quarter of 2015.

The details of the general and administrative expenses for the three and six months ended March 31, 2016 and 2015 are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	-$-	-$-	-$-	-$-
Consulting and management fees	167,576	155,713	325,978	336,603
Depreciation	9,821	65,278	90,542	118,362
Office and general	125,541	123,265	298,810	303,220
Professional fees	9,955	21,332	19,425	22,893
Salaries	198,397	210,043	394,758	423,413
Shareholder communications	11,542	12,841	13,340	14,448
Travel	107,714	106,291	195,063	229,542
Total	630,546	694,763	1,337,916	1,448,481

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 Company recorded stock-based compensation expense of $1.05 million in second quarter of 2016 related to the grant of 27,700,000 stock options at an exercise price of CAD$0.12 per common share to directors, management and employees on January 28, 2016.

The details of the changes in the consolidated finance expense for the three and six months ended March 31, 2016 and 2015 are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	-$-	-$-	-$-	-$-
Interest expense	343,612	218,666	615,307	530,424
Accretion of asset retirement obligation	20,594	26,247	41,682	52,518
Total	364,206	244,913	656,989	582,942

Net loss for the quarter ended March 31, 2016, was $429,957 ($0.00 per share) compared to a loss of $639,042 ($0.00 per share) for the comparative period of 2015.

Net loss for the six months ended March 31, 2016, was $2,144,926 ($0.00 per share) compared to a loss of $1,800,749 ($0.00 per share) for the comparative period of 2015.

SUMMARY OF QUARTERLY RESULTS

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

	March 31, 2016 -$-	December 31, 2015 -$-	September 30, 2015 -$-	June 30, 2015 -$-
Net revenues	$10,434,943	$4,444,460	$7,155,148	$2,787,430
Net loss	($429,957)	($662,080)	($3,990,750)	($1,137,335)
Per share	($0.00)	($0.00)	($0.01)	($0.00)
	March 31, 2015 -$-	December 31, 2014 -$-	September 30, 2014 -$-	June 30, 2014 -$-
Net revenues	$5,889,843	$6,762,892	$3,688,996	$8,641,683
Net loss	($639,042)	($1,161,707)	($3,988,722)	($932,047)
Per share	($0.00)	($0.00)	($0.01)	($0.00)

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

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

LIQUIDITY

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

At March 31, 2016, the Company had cash and cash equivalents of $10,032,294 (September 30, 2015 - $6,981,718) and had a working capital deficit of $13,544,540 (September 30, 2015 – ($14,459,420)).

Majestic began the six months ended March 31, 2016, with $6,981,718 in cash and cash equivalents. During the six months ended March 31, 2016, the Company had a net cash inflow of $1,008,993 from operating activities, net of working capital changes, received $244,925 from investing activities, net of $157,059 spent on investments in gold futures, and $15,226 spent on the purchase of property, plant and equipment, received $1,460,668 from financing activities which was attributable to loan borrowings, net of loan borrowing repayments and restricted cash placed on deposit, and had foreign exchange gain of $335,970, to end at March 31, 2016, with $10,032,294 in cash and cash equivalents.

Majestic began the six months ended March 31, 2015, with $8,812,166 in cash and cash equivalents. During the six months ended March 31, 2015, the Company had expended $3,779,105 on operating activities, net of working capital changes, spent $696,644 on investing activities, net of $34,362 in proceeds from the sale of investments, was attributable to the purchase of property, plant and equipment, received $6,138,466 from financing activities which was primarily attributable to loans borrowings, net of loan borrowing repayments, and had foreign exchange loss of $575,297, to end at March 31, 2015, with $9,899,586 in cash and cash equivalents.

Management considers its operating cash flows to be sufficient to cover the next twelve months to meet its planned exploration, development, operational activities, and its current outstanding debts. The Company has completed its mining and production facilities and is now dependent on achieving consistent profitable income from operations. Revenue and expenses should increase as production increases with the mill reaching full capacity. Should this not be achieved, the Company will continue to be dependent on raising additional funds to meet operational requirements and ultimately upon achieving profitable operations.

CAPITAL RESOURCES

At the date of this MD&A, the Company has 48,200,000 stock options at an average exercise price CAD$0.15. All stock options will, if exercised, provide additional cash. At the date of this MD&A, the stock options outstanding are "out of the money".

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

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

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

Authorized: an unlimited number of common shares without par value.	Common shares issued and outstanding	Stock options
Outstanding at March 31, 2016 and at the date of this MD&A	839,765,216	48,200,000

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following related party transactions during the three and six months ended March 31, 2016 and 2015:

	Three months ended March		Six months ended March 31,	
	2016	2015	2016	2015
	-$-	-$-	-$-	-$-
Consulting fees charged by companies controlled by directors and officers of the Company - include key management personnel compensation	151,459	165,408	302,285	337,488
Mining and milling services charged by Dahedong	4,821,502	4,236,883	10,283,035	8,905,257
Interest charged by Dahedong	66,290	26,156	133,006	96,531
	5,039,251	4,428,447	10,718,326	9,339,276

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,		Six months ended March 31,	
	2016	2015	2016	2015
	-$-	-$-	-$-	-$-
Short-term employee benefits–management fees	56,816	63,017	115,261	131,680
Stock-based compensation	197,875	-	197,875	-
Director fees	44,505	44,967	81,348	86,606
	299,196	107,984	394,484	218,286

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective as of March 31, 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

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 to the Financial Report.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2016, the Company had no off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Financial assets classified as fair value through profit or loss includes derivatives classified under investments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Financial assets classified as loans and receivables include cash and cash equivalents, restricted cash and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. Financial assets classified as available-for-sale include marketable securities classified under investments.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date, being the date the Company commits to purchase the asset. The Company's non-derivative financial liabilities include accounts payable and loans payable.

Financial assets are derecognized when the right to receive cash flows from the investment has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

(i) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
(ii) Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
(iii) Level 3 – Inputs that are not based on observable market data.

The Company's cash and marketable securities are classified as level 1. The derivative is classified as level 2.

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 held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and China. The credit risk associated with cash held in Canada is reduced by management ensuring that the Company uses a major Canadian financial institution with strong investment grade ratings by a primary ratings agency. The credit risk associated with cash held in China is reduced, but not fully mitigated, by management using a financial institution that is operated by the Government of China.

Liquidity Risk

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

Industry Risk

The Company is a mining company with a property and mining operation 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 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, 2016.

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.

Other Price Risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk, price risk or foreign exchange risk.

The Company is exposed to changes in market prices as this can impact the value of its investments.

The Company is exposed to changes in the price of gold which affects its earnings and cash flows. Changes in the price of gold will impact the profits and resulting cash flows of the company and could potentially impact the classification and amounts of certain liabilities, most notably the asset retirement obligation.

As at March 31, 2016, the Company is not holding any gold futures contract. The Company does not use derivative instruments to hedge or reduce its price risk to gold.

DIRECTORS

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Audit Committee of the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

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

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of 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 September 30, 2015.

ADDITIONAL NON-IFRS FINANCIAL MEASURES

The Company has included additional financial performance measures in this MD&A, such as total cash costs, and total production costs, on a per gold ounce basis. The Company reports total cash and production costs on a sales 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.

"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, amortization and depletion to total cash costs and dividing the sum by the number of ounces of gold sold.

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

The following tables provide reconciliation to the consolidated financial statements of total cash costs per ounce, and total production costs per ounce:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Gold sold (ozs)	9,259	4,501	12,796	9,967
Total cash costs per ounce				
Contractor costs paid to Dahedong	$ 4,821,472	4,236,883	$ 10,283,035	8,905,257
Smelting costs	164,450	116,746	342,526	250,570
Resource taxes	273,850	325,535	672,532	582,780
Other direct costs	114,669	194,992	424,991	433,841
Changes in ending gold concentrate inventory	3,923,583	233,200	1,227,684	1,152,438
Total cash costs	$ 9,298,024	$ 5,107,356	$ 12,950,768	$ 11,324,886
Per ounce sold	$ 1,004	$ 1,135	$ 1,012	$ 1,136
Total production costs per ounce				
Total cash costs	$ 9,298,024	$ 5,107,356	$ 12,950,768	$ 11,324,886
Depreciation	661,250	547,204	1,549,144	1,184,937
Total production costs	$ 9,959,274	$ 5,654,560	$ 14,499,912	$ 12,509,823
Per ounce sold	$ 1,076	$ 1,256	$ 1,133	$ 1,255
All-in sustaining costs per ounce				
Total cash costs	$ 9,298,024	$ 5,107,356	$ 12,950,768	$ 11,324,886
General and administrative, net of depreciation	620,725	629,485	1,247,374	1,330,119
Share-based compensation	1,054,063	-	1,054,063	-
Sustaining capital expenditures (1)	30,891	131,533	61,517	135,594
All-in sustaining costs	$ 11,003,703	$ 5,868,374	$ 15,313,722	$ 12,790,599
Per ounce sold	$ 1,188	$ 1,304	$ 1,197	$ 1,283

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

The following table reconciles sustaining capital expenditures to the Company's total additions as reported in the interim condensed consolidated statements of cash flows for the three and six months ended March 31, 2016 and 2015:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Additions to property, plant and equipment				
Songjiagou Gold Mine	$ 101,812	$ (376,786)	$ 101,812	$ 595,412
Sustaining capital	30,891	131,533	61,517	135,594
	$ 132,703	$ (245,253)	$ 163,329	$ 731,006

FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates by reference "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the year ended September 30, 2015, filed with the applicable securities regulatory authorities and available at SEDAR www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives, and may not be appropriate for other purposes.