



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended March 31, 2015

(Expressed in US dollars)

(Unaudited)

Notice to Reader

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

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

		March 31, 2015 - \$ -	September 30, 2014 - \$ -
	<i>Note</i>		
ASSETS			
Current assets			
Cash and cash equivalents	4	9,899,586	8,812,166
Receivables	5	291,819	223,382
Deposits and prepaid expenses	6	617,714	910,025
Inventory	7	2,857,085	4,030,889
Investment	8	-	34,377
		13,666,204	14,010,839
Property, plant and equipment			
Exploration and evaluation assets	9	82,470,029	82,484,926
Deferred tax assets	10	2	2
		231,312	229,646
		96,367,547	96,725,413
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	3,453,799	8,209,777
Loans payable	12	20,430,864	14,101,270
		23,884,663	22,311,047
Asset retirement obligation	13	2,537,393	2,466,708
		26,422,056	24,777,755
SHAREHOLDERS' EQUITY			
Share capital	14	99,893,830	99,893,830
Reserves	14	12,090,287	12,488,665
Deficit		(60,157,373)	(58,688,929)
Equity attributable to owners of parent		51,826,744	53,693,566
Equity attributable to non-controlling interests	19	18,118,747	18,254,092
Total equity		69,945,491	71,947,658
		96,367,547	96,725,413
Nature of operations	1		
Commitments	9, 20		

Approved by the Directors:

"John Campbell"

"Stephen Kenwood"

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

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

	Note	Three months ended March 31,		Six months ended March 31,	
		2015	2014	2015	2014
		- \$ -	- \$ -	- \$ -	- \$ -
Gold revenue	17	5,889,843	7,614,531	12,652,735	11,485,724
Cost of goods sold	17	5,654,560	5,951,922	12,509,823	8,823,884
Gross profit		235,283	1,662,609	142,912	2,661,840
Selling and administrative expenses					
General and administrative	17	694,763	1,175,127	1,448,481	3,948,638
		694,763	1,175,127	1,448,481	3,948,638
Income (loss) before other items		(459,480)	487,482	(1,305,569)	(1,286,798)
Other items					
Finance expense	17	244,913	460,779	582,942	967,322
Finance income		(50,233)	(28,393)	(113,926)	(72,733)
Foreign exchange		(13,250)	(43,325)	(14,361)	(40,153)
		181,430	389,061	454,655	854,436
Net income (loss) before income tax		(640,910)	98,421	(1,760,224)	(2,141,234)
Income tax expense		(1,868)	113,897	40,525	246,863
Net loss for the period		(639,042)	(15,476)	(1,800,749)	(2,388,097)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Realized gain on sale of investments recognized in net loss		-	-	(10,347)	-
Unrealized gain (loss) on investments		-	5,250	-	(1,354)
Exchange differences on translating foreign operations		(147,291)	(1,014,931)	(191,071)	(1,032,968)
Total other comprehensive loss for the period		(147,291)	(1,009,681)	(201,418)	(1,034,322)
Total comprehensive loss for the period		(786,333)	(1,025,157)	(2,002,167)	(3,422,419)
Net income (loss) for the period attributable to:					
Owners of the parent		(544,256)	(134,218)	(1,468,444)	(2,273,820)
Non-controlling interests		(94,786)	118,742	(332,305)	(114,277)
		(639,042)	(15,476)	(1,800,749)	(2,388,097)
Comprehensive income (loss) for the period attributable to:					
Owners of the parent		(966,425)	(617,322)	(1,866,822)	(2,905,506)
Non-controlling interest		180,092	(407,835)	(135,345)	(516,913)
		(786,333)	(1,025,157)	(2,002,167)	(3,422,419)
Loss per share - basic and diluted		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding		839,765,216	839,765,216	839,765,216	839,765,216

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

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

	Attributable to owners of the parent							Non-controlling interest	Total equity
	Number of shares	Share capital	Share-based payment reserve	Foreign currency translation reserve	Available-for-sale-reserve	Deficit	Total		
Balance, September 30, 2012	839,765,216	99,893,830	10,691,293	2,489,060	-	(52,378,998)	60,695,185	19,462,449	80,157,634
Comprehensive loss									
Net loss for the period	-	-	-	-	-	(2,273,820)	(2,273,820)	(114,277)	(2,388,097)
Other Comprehensive loss	-	-	-	(630,332)	-	-	(630,332)	(402,636)	(1,032,968)
Unrealized loss on investments classified as available for sale	-	-	-	-	(1,354)	-	(1,354)	-	(1,354)
Total comprehensive loss for the period	-	-	-	(630,332)	(1,354)	(2,273,820)	(2,905,506)	(516,913)	(3,422,419)
Balance, March 31, 2014	839,765,216	99,893,830	10,691,293	1,858,728	(1,354)	(54,652,818)	57,789,679	18,945,536	76,735,215
Balance, September 30, 2014	839,765,216	99,893,830	10,691,293	1,786,804	10,568	(58,688,929)	53,693,566	18,254,092	71,947,658
Comprehensive loss									
Net loss for the period	-	-	-	-	-	(1,468,444)	(1,468,444)	(332,305)	(1,800,749)
Other Comprehensive loss	-	-	-	(387,810)	(221)	-	(388,031)	196,960	(191,071)
Realized gain on sale of investments	-	-	-	-	(10,347)	-	(10,347)	-	(10,347)
Total comprehensive loss for the period	-	-	-	(387,810)	(10,568)	(1,468,444)	(1,866,822)	(135,345)	(2,002,167)
Balance, March 31, 2015	839,765,216	99,893,830	10,691,293	1,398,994	-	(60,157,373)	51,826,744	18,118,747	69,945,491

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

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

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	- \$ -	- \$ -	- \$ -	- \$ -
Cash provided from (used for):				
Operating activities				
Net loss for the period	(639,042)	(15,476)	(1,800,749)	(2,388,097)
Items not involving cash:				
Depreciation of property, plant and equipment	612,439	520,347	1,303,299	935,099
Finance expense	244,914	460,793	582,943	967,322
Income tax expense	(82,918)	174,860	(40,525)	307,826
Gain on sale of investments	-	-	(10,347)	-
Changes in non-cash working capital balances:				
Receivables	19,973	31,062	(68,437)	433,614
Deposits and prepaid expenses	(140,683)	(224,413)	250,453	(2,404)
Inventory	207,359	2,324,569	1,196,668	(104,246)
Accounts payable and accrued liabilities	(872,817)	(3,003,241)	(4,717,904)	(2,701,880)
Interest paid	(246,669)	(215,627)	(474,506)	(412,263)
Incomes taxes paid	-	(72,185)	-	(204,635)
Net cash used in operating activities	(897,444)	(19,311)	(3,779,105)	(3,169,664)
Investing activities				
Expenditures on property, plant and equipment	245,253	(256,280)	(731,006)	(655,176)
Proceeds on sale of investments	-	-	34,362	-
Net cash provided by (used in) investing activities	245,253	(256,280)	(696,644)	(655,176)
Financing activities				
Loan advances	3,056,657	2,289,271	13,143,155	5,553,831
Loan repayments	(1,938,635)	(3,269,486)	(7,004,689)	(6,705,435)
Net cash provided by (used in) financing activities	1,118,022	(980,215)	6,138,466	(1,151,604)
Effect of foreign exchange on cash and cash equivalents	(245,536)	(431,382)	(575,297)	(710,087)
Net increase (decrease) in cash and cash equivalents	220,295	(1,687,188)	1,087,420	(5,686,531)
Cash and cash equivalents, beginning	9,679,291	12,366,080	8,812,166	16,365,423
Cash and cash equivalents, ending	9,899,586	10,678,892	9,899,586	10,678,892

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended March 31, 2015
(Unaudited - expressed in US dollars)

1. Nature of operations

Majestic Gold Corp. (the "Company") is incorporated under the laws of the province of British Columbia, Canada. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol MJS. The Company is a mining company focused on the exploration, development and operation of mining properties in China.

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

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has completed its mining and production facilities and is now working towards achieving and maintaining full production and increased positive cash flows from operations. Should this not be achieved, the Company will continue to be dependent on raising sufficient funds to meet operational requirements. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. Basis of preparation and significant accounting policies

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued and outstanding as at May 31, 2015, the date the audit committee to the board of directors approved these unaudited condensed consolidated interim financial statements for issue.

Basis of preparation

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

Since these unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2014.

Basis of consolidation

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

Use of estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended March 31, 2015
(Unaudited - expressed in US dollars)

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

assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

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

a) The useful lives of property, plant and equipment

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

b) Asset retirement obligation

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

c) Impairment of the Company's mining assets

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

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

The Company has concluded that, as at March 31, 2015, there are indicators of impairment of the Company's Songjiagou Gold Mine (Note 9) which comprises the Company's sole cash generating unit.

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

d) Other significant estimates

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

Use of judgments

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

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

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

a) The determination of functional currency

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

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

Foreign currency translation

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

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

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

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

Comparative figures

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

New standards adopted during the period

The Company adopted the following new accounting standards:

Amendments to IAS 32 "Financial Instruments: Presentation"

These amendments address inconsistencies when applying the offsetting requirements, and are effective for annual periods beginning on or after January 1, 2014.

3. 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, 2015, and have not been applied in preparing these unaudited condensed consolidated interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

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

3. New standards, interpretations and amendments issued but not yet effective (continued)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Cash and cash equivalents

	March 31, 2015	September 30, 2014
	- \$ -	- \$ -
Cash	5,707,422	3,389,006
Term deposits	4,192,164	5,423,160
Total	9,899,586	8,812,166

Cash of \$5,413,994 is held in China and is subject to local exchange control regulations. Chinese exchange control regulations provide for restrictions on exporting capital from China, other than through normal dividends.

5. Receivables

	March 31, 2015	September 30, 2014
	- \$ -	- \$ -
Sales taxes receivable	274,506	216,588
Other receivables	17,313	6,794
Total	291,819	223,382

6. Deposits and prepaid expenses

	March 31, 2015	September 30, 2014
	- \$ -	- \$ -
Prepayment for mining supplies and services	378,840	640,426
Rent deposit	23,349	21,754
Other advances and prepayments	215,525	247,845
Total	617,714	910,025

7. Inventory

	March 31, 2015	September 30, 2014
	- \$ -	- \$ -
Gold concentrate	1,082,058	2,224,497
Ore stockpile	1,775,027	1,806,392
Total	2,857,085	4,030,889

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

8. Investment

	Number	March 31, 2015 -\$-	Number	September 30, 2014 -\$-
Balance, beginning	500,000	34,377	500,000	26,243
Increase in fair value	-	167	-	10,568
Sale of investments	(500,000)	(34,362)	-	-
Foreign exchange adjustment	-	(182)	-	(2,434)
Balance, ending	-	-	500,000	34,377

The Company sold its 500,000 shares of Bullbulling Gold Limited at an average sale price of \$0.069 for proceeds of \$34,362 (CAD\$38,688). The cost of this investment was \$38,844 (CAD\$40,000).

9. Property, plant and equipment

	Heavy machinery and equipment -\$ -	Office furniture and equipment -\$ -	Mill -\$ -	Mining property -\$ -	Total -\$ -
Cost					
At September 30, 2014	785,817	480,651	50,368,953	37,724,534	89,359,955
Additions	94,935	42,224	595,411	-	732,570
Change in asset retirement cost	-	-	-	-	-
Disposal	-	(5,217)	-	-	(5,217)
Foreign exchange adjustment	6,206	(14,046)	367,893	239,606	599,659
At March 31, 2015	886,958	503,612	51,332,257	37,964,140	90,686,967
Accumulated depreciation					
At September 30, 2014	(200,099)	(256,204)	(3,382,520)	(3,036,206)	(6,875,029)
Depreciation	(75,973)	(42,389)	(678,406)	(506,531)	(1,303,299)
Disposal	-	3,652	-	-	3,652
Foreign exchange adjustment	(1,855)	12,442	(28,137)	(24,712)	(42,262)
At March 31, 2015	(277,927)	(282,499)	(4,089,063)	(3,567,449)	(8,216,938)
Net book value					
At September 30, 2014	585,718	224,447	46,986,433	34,688,328	82,484,926
At March 31, 2015	609,031	221,113	47,243,194	34,396,691	82,470,029

The Company's Mining Property consists of the Songjiagou Gold Mine located in the Shandong Province of China. The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011. The Company's mining permit for the Songjiagou Gold Mine is valid until February 10, 2017. The Songjiagou Gold Mine is owned by the Company's 75% held subsidiary, Yantai Zhongjia Mining Inc. ("Zhongjia"). The remaining 25% of Zhongjia is held by Yantai Dahedong Processing Co. Ltd. ("Dahedong").

Prior to acquiring its 25% interest in Zhongjia on May 30, 2013, Dahedong had a 25% net profit interest in Zhongjia.

On May 1, 2014, the Company began operating under a new mining agreement ("New Mining Agreement") with Dahedong, whereby mining operations will be carried out by Dahedong. Dahedong will be responsible for carrying

Majestic Gold Corp.
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9. Property, plant and equipment (continued)

on mining operations including developing the mine; mining, transporting, and processing ore; and removing waste material for a term of 27 years. Zhongjia will exercise full and final authority for the direction and supervision of the mining operations.

Significant terms of the New Mining Agreement are as follows:

- (i) When the grade of ore is less than or equals to 0.5g/t, Dahedong will receive:
- a) CNY27 per tonne for ore mined and extracted and delivered to the mills for processing;
 - b) CNY38 per tonne for ore processed into concentrate; and
 - c) CNY7 per tonne for waste material mined, extracted and removed and disposed of.
- (ii) When the grade of ore is more than to 0.5g/t, Dahedong will receive:
- a) CNY37 per tonne for ore mined and extracted and delivered to the mills for processing;
 - b) CNY38 per tonne for ore processed into concentrate; and
 - c) CNY7 for waste material mined, extracted and removed and disposed of.

At March 31, 2015, the Company had a balance owing to Dahedong of \$1,798,530 (September 30, 2014 - \$2,281,322) (Note 11). The balance owing to Dahedong at March 31, 2015, bears no interest, is unsecured, and is due on demand.

10. Exploration and evaluation assets

Other properties

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

11. Accounts payable and accrued liabilities

	March 31, 2015	September 30, 2014
	-\$-	-\$-
Trade and other payables	1,654,645	5,928,455
Amount due to Dahedong (Note 9 and 15)	1,798,530	2,281,322
Amounts due to related parties (Note 15)	624	-
Total	3,453,799	8,209,777

12. Loans payable

	March 31, 2015	September 30, 2014
	-\$-	-\$-
Balance, beginning	14,101,270	15,879,791
Accrued interest and fees	530,424	995,405
Loan advances	13,143,155	13,675,436
Loan and interest repayments	(7,479,195)	(16,408,597)
Foreign exchange adjustment	135,210	(40,765)
Balance, ending	20,430,864	14,101,270

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended March 31, 2015
(Unaudited - expressed in US dollars)

12. Loans payable (continued)

At March 31, 2015, the loans outstanding consist of:

- (i) a \$3,273,805 (CNY 20,000,000) (September 30, 2014 - \$3,250,236) one year loan bearing an interest of 6.6% per annum. The loan is repayable on August 18, 2015. The loan is guaranteed by Dahedong, the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (ii) a \$1,636,902 (CNY 10,000,000) (September 30, 2014 - \$1,625,118) one year loan bearing an interest of 6.0% per annum. The loan was repayable on January 9, 2015. The loan is guaranteed by certain third parties, including Dahedong. On January 9, 2015, the loan was renewed, with an interest rate of 7.0% per annum and a new maturity date is January 8, 2016 (Note 21);
- (iii) a \$4,910,707 (CNY 30,000,000) (September 30, 2014 - \$4,875,352) one year loan bearing an interest of 6.6% per annum. The loan is repayable on August 20, 2015. The loan is guaranteed by the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (iv) a \$3,273,805 (CNY 20,000,000) (September 30, 2014 - \$3,250,236) one year loan bearing an interest of 6.6% per annum. The loan is repayable on November 22, 2015. The loan is guaranteed by the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (v) a \$1,456,843 (CNY 8,900,000) (September 30, 2014 - \$Nil) one year loan bearing an interest rate of 1.0% per month plus 5% if the loan is not repaid at maturity. The loan agreement is with Dahedong and is repayable on October 19, 2015;
- (vi) a \$1,636,902 (CNY 10,000,000) (September 30, 2014 - \$Nil) one year loan bearing an interest of 6.25% per annum. The loan is repayable on November 11, 2015. The loan is guaranteed by the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (vii) a \$2,455,353 (CNY 15,000,000) (September 30, 2014 - \$Nil) series of banker's acceptance notes bearing a 0.05% handling fee and a daily interest rate payable of 0.005%. The notes are redeemable in six months from the date of issue. The notes are guaranteed by certain third parties;
- (viii) a \$622,023 (CNY 3,800,000) (September 30, 2014 - \$Nil) series of banker's acceptance notes bearing a 0.05% handling fee and a daily interest rate payable of 0.005%. The notes are redeemable in six months from the date of issue. The notes are guaranteed by certain third parties;
- (ix) Accrued interest of \$1,164,524 (CNY 7,285,940) (September 30, 2014 - \$1,100,328) relating to the above loans, which includes accrued interest of \$97,044 (CNY 432,000) (September 30, 2014 - \$Nil) owing to Dahedong.

13. Asset retirement obligation

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

	March 31, 2015	September 30, 2014
	-\$	-\$
Balance, beginning	2,466,708	2,535,792
Additions and changes in estimates of net present value	-	(175,422)
Accretion	52,518	113,999
Foreign exchange adjustment	18,167	(7,661)
Balance, ending	2,537,393	2,466,708

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the Songjiagou Gold Mine (Note 9). These activities, which are site specific, include costs for earthworks, re-contouring, re-vegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, the Company used a risk-free rate of 4.25% (2014 - 4.25%) and an inflation

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13. Asset retirement obligation (continued)

rate of 3.0% (2014 – 3.0%). The majority of the expenditures are expected to occur in or after 2022.

14. Share capital and Reserves

a) Authorized:

Unlimited number of common shares without par value.

b) Issued share capital:

The Company had 839,765,216 common shares issued and outstanding as at March 31, 2015 and September 30, 2014.

c) Stock Options

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

The continuity of stock options for the six months ended March 31, 2015, is as follows:

Expiry date	Exercise price	Balance September 30, 2014	Issued	Exercised	Expired/ Cancelled	Balance March 31, 2015	
November 14, 2014	CAD\$0.12	3,025,000	-	-	(3,025,000)	-	
June 22, 2015	CAD\$0.12	10,300,000	-	-	(150,000)	10,150,000	
September 14, 2016	CAD\$0.20	20,500,000	-	-	-	20,500,000	
		33,825,000	-	-	(3,175,000)	30,650,000	
Weighted average exercise price		CAD\$0.17	\$	-	\$	CAD\$0.12	CAD\$0.17

d) Reserves

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments. This reserve also includes the value attributed to warrants on unit private placements. At the time that the stock options or warrants are exercised, the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company’s reporting currency.

Available-for-sale reserve

The available-for-sale reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses on monetary items.

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15. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the three and six months ended March 31, 2015 and 2014:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	-\$-	-\$-	-\$-	-\$-
Consulting fees charged by companies controlled by directors and officers of the Company	165,408	104,244	337,488	1,424,046
Mining and milling services charged by Dahedong	4,236,883	2,996,637	8,905,257	7,301,773
Loan interest charged by Dahedong	26,156	184,559	96,531	378,636
	4,428,447	3,285,440	9,339,276	9,104,455

Key management personnel compensation

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Management fees	63,017	52,025	131,680	130,700
Director fees	44,967	66,791	86,606	76,260
	107,984	118,816	218,286	206,960

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

Related party balances

	March 31,	September 30,
	2015	2014
	-\$-	-\$-
Amounts due to companies controlled by directors and officers of the Company (Note 11)	624	-
Amounts due to Dahedong (Note 11)	1,798,530	2,281,322
Loan due to Dahedong (Note 15)	1,553,887	-
	3,352,417	2,281,322

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

16. Segmented information

The Company operates in one industry segment, being the exploration, development and operation of mining properties in China. All of the Company's capital assets are located in China, except office furniture and equipment with a net book value of \$21,814 located in the Company's head-office in Vancouver, Canada. All of the Company's revenues are earned in China.

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17. Revenue and Expenses

Revenue

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Sales of gold bullion	5,889,843	7,469,447	12,652,735	11,123,280
Lease of underground mine	-	145,084	-	362,444
Total	5,889,843	7,614,531	12,652,735	11,485,724

The Company leased the mining of the underground mine to a third party for a two year period which expired March 25, 2014.

Cost of goods sold

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Contractor costs paid to Dahedong	4,236,883	2,996,637	8,905,257	7,301,773
Depreciation	547,204	437,623	1,184,937	806,505
Smelting costs	116,746	122,773	250,570	256,689
Resource taxes	325,535	498,760	582,780	710,952
Other direct costs	194,992	108,161	433,841	272,265
Changes in ending gold concentrate inventory	233,200	1,787,968	1,152,438	(524,300)
Total	5,654,560	5,951,922	12,509,823	8,823,884

General and administrative

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Consulting and management fees	155,713	297,051	336,603	1,755,124
Depreciation	65,278	77,278	118,362	128,594
Financial Advisory Services	-	12,364	-	39,364
Office and general	123,265	260,288	303,220	538,461
Professional fees	21,332	143,852	22,893	483,282
Salaries and benefits	210,043	190,361	423,413	342,226
Shareholder communications	12,841	79,792	14,448	124,934
Travel	106,291	114,141	229,542	536,653
Total	694,763	1,175,127	1,448,481	3,948,638

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17. Revenue and Expenses (continued)

Finance expense

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Interest on loans (Note 12)	192,510	247,620	433,893	531,496
Interest on amount due to Dahedong (Note 11)	26,156	184,545	96,531	378,636
Accretion of asset retirement obligation (Note 13)	26,247	28,614	52,518	57,190
Total	244,913	460,779	582,942	967,322

18. Risks and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash 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.

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18. Risks and capital management (continued)

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

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash 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, 2015.

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, 2015, the Company has no contracts or agreements in place to mitigate these price risks.

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19. Non-controlling interest

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

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

	March 31, 2015	September 30, 2014
	-\$-	-\$-
Current		
Assets	8,959,227	7,913,589
Liabilities	(20,796,237)	(21,936,877)
Total current net liabilities	(11,837,010)	(14,023,288)
Non-current		
Assets	82,448,217	82,455,858
Liabilities	(5,616,321)	(5,538,181)
Total non-current net assets	76,831,896	76,917,677
	64,994,886	62,894,389

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

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenue	5,889,843	7,614,531	12,652,735	11,485,724
Net income (loss) before income tax	(333,173)	801,692	(1,137,722)	848,413
Income tax recovery (expense)	1,868	(113,897)	(40,525)	(246,863)
Net income	(331,305)	687,795	(1,178,247)	601,550
Other comprehensive income	953,173	328,744	3,719,382	2,214,340
Comprehensive income	621,868	1,016,539	2,541,135	2,815,890

20. Commitments

Operating lease commitments

Refer to Note 9 for details of commitments resulting from the agreements with Dahedong.

	2015	2016	2017	2018	Total
	\$	\$	\$		\$
Operating lease commitments:					
Office premises	38,061	59,808	27,180	11,325	136,374