MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended December 31, 2014

(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 three months ended December 31, 2014 and 2013, (the "Financial Report") all of which are available at the SEDAR website at www.sedar.com.

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.

This MD&A contains information to February 26, 2015.

This discussion focuses on key statistics from the unaudited condensed consolidated interim financial statements for the period ended December 31, 2014 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.

OVERVIEW

- Gold production from the Songjiagou Gold Mine was 5,064 ounces for the three months ended December 31, 2014, compared to 4,843 ounces produced for the comparative period;
- Tonnes of ore milled was 431,686 tonnes for the three months ended December 31, 2014, with an average head grade of 0.42 g/t, compared to 418,629 tonnes milled, with an average head grade of 0.41 g/t, for the comparative period;
- Gold sales revenue was $6.8 million for the three months ended December 31, 2014, from the sale of 5,466 ounces, at an average realized gold price of $1,237 per ounce, compared to gold sales revenue of $3.7 million from the sale of 2,894 ounces, at an average realized gold price of $1,263 per ounce, for the comparative period. The increase in gold revenue in the current period was due to the additional 2,572 ounces sold over the comparative period;
- Total cash costs were $1,138 per ounce and total production costs were $1,254 per ounce for the three months ended December 31, 2014, compared to cash costs of $865 per ounce and production costs of $993 per ounce for the comparative period. The increase in cash costs in the current period, over the comparative period, is due primarily to increased waste removal costs incurred as the Company implements its strict grade control program. The Company expects the grade control program will allow for continued improvement in the average head grade during 2015, thereby lowering the average cash cost per ounce;
- G&A expenses were $753,718 for three months ended December 31, 2014, a decrease of 73%, compared to $2,773,511 of G&A expenses for the comparative period. The decrease reflects the positive impact of the Company's efforts of spending reductions implemented in fiscal 2014. In fiscal 2015, the Company will benefit from the impact of a full year of the 2014 cost reductions.

OUTLOOK

Majestic continues working towards executing a development scenario at the Songjiagou Gold Mine ("Songjiagou" or the "Project") from the August 2013 SRK Consulting (China) Ltd. ("SRK") Preliminary Economic Assessment ("PEA") that envisioned production of up to 7,400 tpd utilizing existing infrastructure. It has been determined that the other scenarios outlined in the SRK PEA are not attainable without significant capital investment and will therefore not be considered for the foreseeable future.

The Company is also currently working on the implementation of a grade control program as well as other necessary changes identified during the operational review at Songjiagou during the third quarter of 2014.

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 December 31, 2014, 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 under the symbol "MJS".

The Company's principal mining operation is the Songjiagou Gold Mine, 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

SRK provided Majestic with an updated resource estimation dated January 31, 2013. At a gold cut-off grade of 0.3 g/t, within the mining license and exploration permit area, the Songjiagou Gold Mine contains the following mineral resources:

Category	Tonnes (kt)	Grade (g/t)	Contained Au (oz)
Indicated	28,615	1.38	1,269,000
Inferred	35,309	1.43	1,623,000

Included within the total resource and entirely within the boundaries of the current mining license, the Songjiagou Gold Mine contains:

Category	Tonnes (kt)	Grade (g/t)	Contained Au (oz)
Indicated	25,935	1.42	1,184,000
Inferred	28,690	1.35	1,245,000

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.

PRELIMINARY ECONOMIC ASSESSMENT

On August 21, 2013, the Company announced that SRK completed a NI 43-101 Technical Report in support of the PEA for the Songjiagou Gold Mine located in Shandong Province, People's Republic of China. The NI 43-101 Technical Report is available at www.sedar.com and www.majesticgold.com. In the assessment, MineSight Economic Planner (Design) was used for pit optimization, using Lerchs-Grossmann calculations to maximize the net present value ("NPV"). Five scenarios for the ultimate pit were produced, as described below. The trailing five year average gold price, (i.e. RMB 273.89/g, or US$1,355/oz), and a conversion rate of 6.2834 RMB/1$US was used.

The PEA was prepared as an open pit mining project and SRK was asked to look at five development scenarios:

1. utilizing only indicated resources and the existing mill capacity (7,400 tpd);
2. utilizing all of the indicated and inferred mineral resources but not relocating the two nearby villages (mill expansion to 10,000 tpd);

2A. utilizing all of the indicated and inferred mineral resources but not relocating the two nearby villages and utilizing the existing mill capacity (7,400 tpd);

3. utilizing all of the indicated and inferred mineral resources and relocating the two nearby villages (mill expansion to 12,000 tpd); and

3A. utilizing all of the indicated and inferred mineral resources, relocating the two nearby villages and using the existing mill capacity (7,400 tpd).

The five year trailing average gold price of US$1,355 per ounce was used for the PEA.

The pre-tax NPV established by the PEA is summarized in following table:

Scenario	Mill Throughput	NPV (10%) (US$ x 1,000,000)
1	7,400 tpd	477
2	10,000 tpd	777
2A	7,400 tpd	702
3	12,000 tpd	1,056
3A	7,400 tpd	782

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PEA is preliminary in nature and is based, in part, on inferred mineral resources that are 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. All figures are rounded to reflect the relative accuracy of the estimate.

The Company cautions that the cash flow models and resulting NPV's were done on a pre-tax basis. After tax, NPV's would be adjusted downward after considering depreciation and other allowable expenses and deduction of Chinese corporate taxes (currently estimated at 25%).

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

Mining Methods

The Songjiagou Gold Mine is currently in production, with a mining capacity of 5,000 to 10,000 tpd.

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 10 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 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 200 tpd mill and the 1,200 tpd mill are not being utilized at this time; all material mined currently is processed in the 6,000 tpd mill.

Similar flowsheets are adopted in the two plants which process the ore mined from the open pit (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.

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 4.50/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).

The PEA was prepared by SRK Consulting (China) Ltd., under the direction of Anson Xu, PhD, FAusIMM. Dr. Xu is independent of Majestic and is a Qualified Person ("QP") as defined by National Instrument 43-101.

Of the five production scenarios set out by SRK in the report, Majestic is restricted to the scenarios that involve mine infrastructure currently in place. 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. At present, the Company's management intends to limit production to the capacity of the 6,000 tpd mill until such time that a grade control program has been successfully implemented, thus improving current gold production through increased mill heads.

Majestic continues to work on implementing a grade control program, for which the Company has increased its mining personnel with the addition of mining engineers, surveyors, samplers, as well as adding several staff members to the onsite assay facility. The assay facility currently handles approximately 105 mill process and grade control samples per day. Additional equipment and personnel are being added to the lab in order to increase capacity to at least 150 samples per day. It is expected that the additional lab staff will allow for steadily increasing numbers of daily blast hole samples.

The blast hole sampling forms the basis of the grade control program, assays from the blast holes will be immediately available during the loading cycle allowing lower grade material to be separated from the throughput to the mill and removed as waste. This is particularly crucial at Songjiagou as visually ore and waste are not discernibly discrete. The operation's mining contractor, Dahedong has also identified a nearby waste disposal area allowing for the disposal of Songjiagou's waste material.

During the current period, the Company further strengthened its onsite technical team at Songjiagou with the addition of former staff from the consulting firm SRK. The new staff members will work solely on an optimization program at Songjiagou by ramping up the grade control program and completing a more comprehensive mine plan that will include the increase in size of the open pit, with the intended impact of increasing gold output and lowering cost of production. As part of the optimization program, a new survey team has completed a more accurate 3D laser survey of the entire mining license, including the two villages on either side of the open pit. All survey and blast hole assay data are now being inputted into the modeling and mine planning software to provide data for an updated mine plan.

In addition, Majestic's operating subsidiary, Yantai Zhongjia Mining Co. Ltd. ("Zhongjia") has received government approval to expand the footprint of the open pit at Songjiagou to the boundaries of the Mining License, from 0.342 km² to 0.594 km². Zhongjia has also secured the necessary approval from residents of nearby Songjiagou and Fayunkang villages to relocate to a site that has been approved for residential construction. The village relocation plan is necessary due to their close proximity to the active open pit, and therefore allow for the open pit expansion.

EXPLORATION

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 December 31, 2014 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 December 31, 2014.

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 qualified person ("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 December 31, 2014	Three months ended December 31, 2013
Operating data		
Gold produced (ozs)	5,064	4,843
Gold realized net of smelting fees (ozs)	4,795	4,531
Gold sold (ozs)	5,466	2,894
Average realized gold price ($/oz sold)	$ 1,237	$ 1,263
Total cash costs ($/oz sold) (1)	1,138	865
Financial data		
Total revenues	$ 6,762,892	$ 3,871,193
Gross profit (loss) (2)	(92,371)	999,231
Net loss attributable to shareholders	(924,188)	(2,139,602)
Basic and diluted loss per share	(0.00)	(0.00)
Cash and cash equivalents	9,679,291	12,366,080
Total assets	96,825,793	103,376,699
Total debt	23,595,001	23,041,096

(1) "Total cash costs" are presented on a per ounce sold basis. See "Additional Financial Measures".
(2) "Gross profit (loss)" represents total revenues, net of cost of goods sold.

RESULTS OF OPERATIONS

Gold Production

	Three months ended December 31, 2014	Three months ended December 31, 2013
Production data		
Tonnes mined	434,092	556,015
Tonnes milled	431,686	418,629
Head grade (g/t)	0.42	0.41
Mill recovery	88.3%	88.1%
Gold produced (ozs)	5,064	4,843
Gold realized, net of smelting fees (ozs)	4,795	4,531

Total ore milled was 421,686 tonnes for the period ended December 31, 2014, with an average head grade of 0.42 g/t, compared to 418,629 tonnes milled, with an average head grade of 0.41 g/t, for the comparative period.

Total gold produced for the period ended December 31, 2014, was 5,064 ounces compared to 4,843 ounces produced for the comparative period.

Total gold realized was 4,795 ounces for the period ended December 31, 2014, compared to 4,531 ounces realized in the comparative period.

Revenues

		Three months ended December 31, 2014		Three months ended December 31, 2013
Gold				
Ounces sold		5,466		2,894
Average realized price ($/oz)	$	1,237	$	1,263
Revenues				
Gold	$	6,762,892	$	3,653,833
Lease		-		217,360
	$	6,762,892	$	3,871,193

Gold sales revenue for the period ended December 31, 2014, was $6.8 million from gold sales of 5,466 ounces at an average realized gold price of $1,237, compared to $3.7 million from gold sales of 2,894 at an average realized gold price of $1,263 for the comparative period. The increase in gold sales revenue is due primarily to an additional 2,572 ounces sold and was partially offset by a 2% decrease in the gold price over the comparative period.

Revenues for the comparative period also included mining lease revenue of $217,360. The mining lease terminated in March 2014.

Cost of Goods Sold

		Three months ended December 31, 2014		Three months ended December 31, 2013
Ounces sold		5,466		2,894
Per ounce of gold sold [(1)]				
Cash costs	$	1,138	$	865
Production costs		1,254		993
Cost of Goods Sold				
Total cash costs	$	6,217,530	$	2,503,080
Total production costs		6,855,263		2,871,962

(1) See "Additional Financial Measures" on page 18.

The cash costs per ounce were $1,138 for the period ended December 31, 2014, compared to $865 per ounce for the comparative period.

The production costs per ounce were $1,254 for the period ended December 31, 2014, compared to $993 per ounce for the comparative period.

Other Items

The more significant other items for the periods ended December 31, 2014 and 2013 are discussed below.

G&A expenditures were $753,718 for the period ended December 31, 2014, which is a 73% decrease compared to $2,773,511 expended in the comparative period. This decrease reflects the positive impact of the Company's continued efforts of spending reductions implemented in fiscal 2014.

The details of the general and administrative expenses for the periods ended December 31, 2014 and 2013 are as follows:

	Three months ended December 31, 2014 -$-	Three months ended December 31, 2013 -$-
Consulting and management fees	180,890	1,458,073
Depreciation	53,084	51,316
Financial advisory services	-	27,000
Office and general	179,955	278,173
Professional fees	1,561	339,430
Salaries	213,370	151,865
Shareholder communications, transfer agent and filing fees	1,607	45,142
Travel	123,251	422,512
Total	753,718	2,773,511

Consulting and management fees, including director fees, totaled $180,890 for the period ended December 31, 2014 (2013 - $1,458,073). The comparative period includes a one-time severance payment of $1,000,000 paid, pursuant to a retirement agreement, to a company controlled by the Company's former President and Chief Executive Officer.

Office and general costs were $179,955 for the period ended December 31, 2014 (2013 - $278,173). During the 2014 fiscal year, the Company implemented spending reductions in this area as part of its cost savings efforts, resulting in a decrease of $98,218 in the current period over the comparative period.

Professional fees were $1,561 for the period ended December 31, 2014 (2013 - $339,430). Professional fees for the comparative period include legal and related fees in connection to the Concerned Shareholder

Information Circular dated November 8, 2013, as well the legal fees surrounding the retirement of the Company's former President and Chief Executive Officer.

Travel costs were $123,251 for the period ended December 31, 2014 (2013 - $422,512). Travel costs are primarily related to the Company's attendance at investor conferences and meetings in Asia and Europe. During the 2014 fiscal year the Company began implementing spending reductions of travel as part of its cost savings efforts resulting in a decrease of $299,261 for the current period over the comparative period.

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

The details of the changes in the consolidated finance expense for the years ended December 31, 2014 and 2013 are as follows:

	Three months ended December 31, 2014 -$-	Three months ended December 31, 2013 -$-
Interest on loans	241,383	283,876
Interest on amount due to Dahedong	70,375	194,091
Accretion of asset retirement obligation	26,271	28,576
Total	338,029	506,543

Net loss for the period ended December 31, 2014, was $1,161,707 ($0.00 per share) compared to a loss of $2,397,262 ($0.00 per share) for the comparative period.

SUMMARY OF QUARTERLY RESULTS

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

	December 31, 2014 -$-	September 30, 2014 -$-	June 30, 2014 -$-	March 31, 2014 -$-
Net revenues	$6,762,892	$3,688,996	$8,641,683	$7,614,531
Net loss	($1,161,707)	($3,988,722)	($932,047)	($15,476)
Per share	($0.00)	($0.01)	($0.00)	($0.00)
	December 31, 2013 -$-	September 30, 2013 -$-	June 30, 2013 -$-	March 31, 2013 -$-
Net revenues	$3,871,193	$9,834,158	$3,551,168	$8,681,386
Net loss	($2,372,621)	($3,188,303)	($1,663,384)	($959,866)
Per share	($0.00)	($0.01)	($0.00)	($0.00)

Significant variations in the net revenues periods is primarily due to variances is gold sales and metal prices.

Significant variations in the net loss from one period to another are mainly due to variations in gold sales, metal prices, increase in the start-up costs of mining operations, the issuance of incentive stock options, which results in an increase in stock-based compensation.

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 December 31, 2014, the Company had cash and cash equivalents of $9,679,291 (September 30, 2014 - $8,812,166) and had a working capital deficit of $10,075,587(September 30, 2014 – ($8,300,208)).

Majestic began the first quarter ended December 31, 2014, with $8,812,166 in cash and cash equivalents. During the three months ended December 31, 2014, the Company had expended $2,881,661 on operating activities, net of working capital changes, spent $941,897 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 $5,020,444 from financing activities which was primarily attributable to loans borrowings, net of loan borrowing repayments, and had foreign exchange loss of $329,761, to end at December 31, 2014, with $9,679,291 in cash and cash equivalents.

Majestic began the three months ended December 31, 2013, with $16,365,423 in cash and cash equivalents. During the three months ended December 31, 2013, the Company had a net cash outflow from operating activities of $3,150,353, net of working capital changes, spent $398,896 on investing activities which was attributable to the purchase of property, plant and equipment, spent $171,389 on financing activities which was primarily attributable to loans borrowing repayments, net of loan borrowings, and had foreign exchange loss of $278,705, to end at December 31, 2013, with $12,366,080 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 30,650,000 stock options at exercise prices ranging from CAD$0.12 to CAD$0.20. 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 December 31, 2014 and at the date of this MD&A	839,765,216	30,650,000

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following related party transactions during the period ended December 31, 2014 and 2013:

	Three months ended December 31, 2014 -$-	Three months ended December 31, 2013 -$-
Consulting fees charged by companies controlled by directors and officers of the Company - includes key management personnel compensation	172,080	1,319,802
Mining and milling services charged by Dahedong	4,668,374	4,305,136
Loan interest charged by Dahedong	70,375	194,077
	4,910,829	5,819,015

Compensation of key management personnel

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

	Three months ended December 31, 2014 - $ -	Three months ended December 31, 2013 - $ -
Short-term employee benefits–management fees	68,663	78,675
Director fees	41,639	9,469
	110,302	88,144

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 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.

The adoption of this new standard did not have a material effect on these condensed consolidated interim financial statements.

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 December 31, 2014, and have not been applied in preparing these condensed consolidated 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.

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.

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 December 31, 2014, 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. 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.

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.

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.

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.

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 – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have 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 Company does not have any derivative financial assets and liabilities.

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

The Company ensures 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 and exploration company with properties and mining operations focused 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 CNY 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 and exploration programs. 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 December 31, 2014.

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 December 31, 2014, the Company has no contracts or agreements in place to mitigate these price risks.

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.

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, 2014.

ADDITIONAL 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, sustaining capital 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 December 31, 2014		Three months ended December 31, 2013
Gold sold (ozs)		5,466		2,894
Total cash costs per ounce				
Contractor costs paid to Dahedong	$	4,668,374	$	4,305,136
Smelting costs		133,824		133,916
Resource taxes		257,245		212,192
Other direct costs		238,849		164,104
Changes in ending gold concentrate inventory		919,238		(2,312,268)
Total cash costs	$	6,217,530	$	2,503,080
Per ounce sold	$	1,138	$	865
Total production costs per ounce				
Total cash costs	$	6,217,530	$	2,503,080
Depreciation		637,733		368,882
Total production costs	$	6,855,263	$	2,871,962
Per ounce sold	$	1,254	$	993
All-in sustaining costs per ounce				
Total cash costs	$	6,217,530	$	2,503,080
General and administrative, net of depreciation and amortizatior		753,718		2,773,511
Sustaining capital		4,061		30,727
All-in sustaining costs	$	6,975,309	$	5,307,318
Per ounce sold	$	1,276	$	1,834

Sustaining capital expenditures are defined as those expenditures which do not increase annual gold ounce production and excludes all expenditures at the Company's projects and certain expenditures at the Company's operations which are deemed to be expansionary in nature. 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 months ended December 31, 2014 and 2013:

Additions to property, plant and equipment				
Songjiagou Gold Mine	$	972,198	$	368,169
Sustaining capital		4,061		30,727
	$	976,259	$	398,896

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, 2014, 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.

OTHER INFORMATION

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.majesticgold.com.