



**MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For the year ended September 30, 2014

(Expressed in US dollars)

Majestic Gold Corp.
Management's Discussion and Analysis
For the year ended September 30, 2014

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 audited consolidated annual financial statements and related notes thereto for the years ended September 30, 2014 and 2013, (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.

This MD&A contains information to January 27, 2015.

This discussion focuses on key statistics from the consolidated annual financial statements for the years ended September 30, 2014 and 2013 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 19,630 ounces in 2014, compared to 19,611 ounces produced in the comparative year;
- Tonnes of ore milled was 1.6 million tonnes in 2014, with an average head grade of 0.42 g/t, compared to 1.9 million tonnes milled, with an average head grade of 0.37 g/t, in the comparative year;
- Gold sales revenue was \$23.5 million in 2014, from the sale of 18,165 ounces, at an average realized gold price of \$1,291 per ounce, compared to gold sales revenue of \$25.4 million from the sale of 16,894 ounces, at an average realized gold price of \$1,503 per ounce, for the comparative year. The average realized gold price in 2014 was down by 14%, over the comparative year, reflecting the continued decline in the gold price during the year;
- Total cash costs were \$1,165 per ounce and total production costs were \$1,302 per ounce in 2014, compared to cash costs of \$1,101 per ounce and production costs of \$1,186 per ounce in 2013. The increase of cash costs in 2014, over the comparative year, was due primarily to increased waste removal costs as the Company implements a 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 \$5.7 million in 2014, a decrease of 30%, compared to \$8.2 million of G&A expenses for the prior year. The decrease reflects the positive impact of the Company's continued efforts of spending reductions implemented in fiscal 2014. In 2015, the Company will benefit from the impact of a full year of the 2014 cost reductions;
- The Company obtained approval for a 42% expansion in the area available for open pit mining operations.

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

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 September 30, 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.

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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.

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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.

Subsequent to the 2014 year end, 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.

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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 September 30, 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 September 30, 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 ANNUAL INFORMATION

The following table presents audited selected financial information for the last three audited fiscal years:

	Year ended September 30, 2014	Year ended September 30, 2013	Year ended September 30, 2012
	\$	\$	\$
Revenue	23,816,403	26,410,668	31,670,269
Net loss	(7,308,886)	(5,863,555)	(2,070,781)
Net loss per share	(0.01)	(0.01)	(0.00)
Total assets	96,725,413	105,240,500	110,506,924
Total liabilities ^(*)	24,777,755	25,082,866	23,787,894
Dividends	-	-	-

(*) Total liabilities do not include deferred income.

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SELECTED FINANCIAL INFORMATION

	Year ended September 30, 2014	Year ended September 30, 2013
Operating data		
Gold produced (ozs)	19,630	19,611
Gold realized net of smelting fees (ozs)	18,320	18,390
Gold sold (ozs)	18,165	16,894
Average realized gold price (\$/oz sold)	\$ 1,291	\$ 1,503
Total cash costs (\$/oz sold) ⁽¹⁾	1,165	1,101
Financial data		
Total revenues	\$ 23,816,403	\$ 26,410,668
Gross profit ⁽²⁾	168,615	6,372,024
Net loss attributable to shareholders	(6,309,931)	(5,447,808)
Basic and diluted loss per share	(0.01)	(0.01)
Cash and cash equivalents	8,812,166	16,365,423
Total assets	96,725,413	105,240,500
Total debt	22,311,047	22,547,074

(1) "Total cash costs" are presented on a per ounce sold basis. See "Additional Financial Measures".

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

RESULTS OF OPERATIONS

Gold Production

	Year ended September 30, 2014	Year ended September 30, 2013
Production data		
Tonnes mined	1,714,722	1,873,913
Tonnes milled	1,628,609	1,872,396
Head grade (g/t)	0.42	0.37
Mill recovery	88.2%	86.8%
Gold produced (ozs)	19,630	19,611
Gold realized, net of smelting fees (ozs)	18,320	18,390

Total ore milled was 1.6 million tonnes in 2014, compared to 1.9 million tonnes milled in 2013, with an average head grade 0.42 g/t in 2014, compared to an average head grade of 0.37 g/t for the comparative year.

Total gold produced for the year ended September 30, 2014, was 19,630 ounces compared to 19,611 ounces produced for the prior year.

Total gold realized was 18,320 ounces for the year ended September 30, 2014, compared to 18,390 ounces realized in the prior year.

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Revenues

	Year ended September 30, 2014	Year ended September 30, 2013
Gold		
Ounces sold	18,165	16,894
Average realized price (\$/oz)	\$ 1,291	\$ 1,503
Revenues		
Gold	\$ 23,453,959	\$ 25,387,862
Lease	362,444	1,022,806
	\$ 23,816,403	\$ 26,410,668

Gold sales revenue for the year ended September 30, 2014, was \$23,453,959 from gold sales of 18,165 ounces at an average realized gold price of \$1,291, compared to \$25,387,862 from gold sales of 16,894 at an average realized gold price of \$1,503 for the prior year. The 7% decrease in gold sales revenue is due primarily to a 14% decrease in the average realized gold price and was partially offset by a 7% increase in the volume of gold sold in 2014, compared to the prior year.

Revenues also included mining lease revenue of \$362,444 for the year ended September 30, 2014 (2013-\$1,022,806). The mining lease terminated in March 2014, resulting in a decrease of lease revenue over the comparative year.

Cost of Goods Sold

	Year ended September 30, 2014	Year ended September 30, 2013
Ounces sold	18,165	16,894
Per ounce of gold sold ⁽¹⁾		
Cash costs	\$ 1,165	\$ 1,101
Production costs	1,302	1,186
Cost of Goods Sold		
Total cash costs	\$ 21,163,554	\$ 18,603,327
Total production costs	23,647,788	20,038,644

(1) See "Additional Financial Measures" on page 19.

The cash costs per ounce were \$1,165 for the year ended September 30, 2014, compared to \$1,101 per ounce for the prior year.

The production costs per ounce were \$1,302 for the year ended September 30, 2014, compared to \$1,186 per ounce for the comparative year.

Other Items

The more significant other items for the year ended September 30, 2014 and 2013 are discussed below.

G&A expenditures were \$5,745,441 for the year ended September 30, 2014, which is a 30% decrease compared to \$8,186,310 expended in the comparative year. The decrease reflects the positive impact of the Company's continued efforts of spending reductions implemented in fiscal 2014.

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The details of the changes in general and administrative expenses for the years ended September 30, 2014 and 2013 are as follows:

	Year ended September 30, 2014 -\$-	Year ended September 30, 2013 -\$-
Consulting and management fees	2,245,547	2,370,458
Depreciation	199,752	185,121
Financial Advisory Services	60,480	888,010
Office and general	875,882	1,386,847
Professional fees	582,947	539,624
Salaries	945,455	821,637
Shareholder communications, transfer agent and filing fees	150,551	421,446
Travel	684,827	1,573,167
Total	5,745,441	8,186,310

Consulting and management fees, including director fees, totaled \$2,245,547 for the year ended September 30, 2014 (2013 - \$2,370,458). The current year 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.

Financial Advisory Services were \$60,480 for the year end September 30, 2014 (2013 - \$888,010). The decrease of \$827,530, over the comparative year, is due primarily to the termination of a consulting agreement with Deloitte for financial advisory services in the prior year.

Office and general costs were \$875,882 for the year ended September 30, 2014 (2013 - \$1,386,847). During the current year, the Company implemented spending reductions in this area as part of its cost savings efforts, resulting in a decrease of \$510,965 over the comparative year.

Professional fees were \$582,947 for the year ended September 30, 2014 (2013 - \$539,624). Professional fees for the current year included 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 \$684,827 for the year ended September 30, 2014 (2013 - \$1,573,167). Travel costs are primarily related to the Company's attendance at investor conferences and meetings in Asia and Europe. During the current year, the Company implemented spending reductions of travel as part of its cost savings efforts resulting in a decrease of \$888,340 over the comparative year.

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 September 30, 2014 and 2013 are as follows:

	Year ended September 30, 2014 -\$-	Year ended September 30, 2013 -\$-
Interest on loans	995,405	1,319,656
Finance fee on construction of New Mill	-	62,864
Interest on amount due to Dahedong	418,780	575,438
Accretion of asset retirement obligation	113,999	92,591
Total	1,528,184	2,050,549

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Net loss for the year ended September 30, 2014, was \$7,308,866 (\$0.01 per share) compared to a loss of \$5,863,555 (\$0.01 per share) for the prior year.

SUMMARY OF QUARTERLY RESULTS

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

	September 30, 2014 -\$-	June 30, 2014 -\$-	March 31, 2014 -\$-	December 31, 2013 -\$-
Net revenues	\$3,688,996	\$8,641,683	\$7,614,531	\$3,871,193
Net loss	(\$3,988,722)	(\$932,047)	(\$15,476)	(\$2,372,621)
Per share	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)
	September 30, 2013 -\$-	June 30, 2013 -\$-	March 31, 2013 -\$-	December 31, 2012 -\$-
Net revenues	\$9,834,158	\$3,551,168	\$8,681,386	\$4,343,956
Net loss	(\$3,188,303)	(\$1,663,384)	(\$959,866)	(\$52,002)
Per share	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)

Significant variations in the net revenues periods is primarily due to variances in 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.

FOURTH QUARTER

Majestic began the fourth quarter ended September 30, 2014, with \$12,444,592 in cash and cash equivalents. During the three months ended September 30, 2014, the Company had expended \$2,793,867 on operating activities, net of working capital changes, spent \$526,149 on investing activities which was attributable to the purchase of property, plant and equipment, received \$1,815 from financing activities which was primarily attributable to loans borrowings, net of loan borrowing repayments, and had foreign exchange loss of \$314,225, to end at September 30, 2014, with \$8,812,166 in cash and cash equivalents.

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 September 30, 2014, the Company had cash and cash equivalents of \$8,812,166 (September 30, 2013 - \$16,365,423) and had a working capital deficit of \$8,300,208 (September 30, 2013 - \$1,247,496).

Majestic began the year ended September 30, 2014, with \$16,365,423 in cash and cash equivalents. During the year ended September 30, 2014, the Company had expended \$2,912,390 on operating activities, net of working capital changes, spent \$2,039,467 on investing activities which was attributable to the purchase of property, plant and equipment, spent \$1,888,513 on financing activities which was primarily

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attributable to loan borrowing repayments, net of loan borrowings, and had foreign exchange loss of \$712,887, to end at September 30, 2014, with \$8,812,166 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 30,800,000 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 September 30, 2014	839,765,216	33,825,000
Expired	-	(3,025,000)
Outstanding at the date of this MD&A	839,765,216	30,800,000

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following related party transactions during the year ended September 30, 2014 and 2013:

	Year ended September 30, 2014	Year ended September 30, 2013
	-\$-	-\$-
Consulting fees charged by companies controlled by directors and officers of the Company - includes key management personnel compensation	1,831,259	1,187,365
Rent and administrative fees charged by companies controlled by directors or officers of the Company	-	36,631
Legal fees charged by a law firm jointly controlled by a Director	-	71,141
Mining and milling services charged by Dahedong	18,010,269	17,151,624
Finance fee charged by Dahedong	-	62,864
Interest charged by Dahedong	418,780	575,438
	20,260,308	19,085,063

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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:

	Year ended September 30, 2014 - \$ -	Year ended September 30, 2013 - \$ -
Short-term employee benefits—management fees	369,840	379,033
Termination benefits-management fees	922,100	-
Director fees	163,139	-
	1,455,079	379,033

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 YEAR

The Company adopted the following new accounting standards:

New standard IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements.

New interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted.

New interpretation IFRIC 21 "Levies"

This is an interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets". The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effect for annual periods beginning on or after January 1, 2014.

Revised standards adopted during the year

The Company adopted the following revised accounting standards:

Revised standard IAS 27 Separate Financial Statements

As a result of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements.

IAS 28 Associates and Joint Ventures

As a consequence of the issue of IFRS 11, IAS 28 has been amended and provides the accounting

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guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The adoption of these new and revised standards did not have a material effect on these consolidated financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 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.

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.

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 September 30, 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

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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

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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 September 30, 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 September 30, 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

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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 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.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

RISKS AND UNCERTAINTIES

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors, including the price of gold, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

The following is a discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of the Company's operations and future financial performance.

Additional risks not currently known by the Company, or that the Company currently deems immaterial, may also impair the Company's operations.

Exploration and mining risks

Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access.

The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine it is impractical to commence or continue commercial production.

Reserves and resource estimates

The mineral and resources estimates disclosed in the Company's public filings are only estimates and no assurances can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate

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recoveries by ore type at optimal crush sizes. Actual gold recoveries may exceed or fall short of projected laboratory test results. As stated previously, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under onsite conditions or in production scale operations. Material changes in proven and probable reserves or resource grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources disclosed in the Company's public filings should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering. The Company believes these experts are competent and that they have carried out their work in accordance with internationally recognized standards. If, however, the work conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

The Company's production decision was not based on a feasibility study of mineral reserves demonstrating economic and technical viability. The Company's production decision was made based on the open pit optimization resource model set out in a PEA, which takes into account the relatively low mining costs negotiated by the Company. The pit optimization that was conducted in the preliminary assessment generated a production schedule summary at grade cut-off of 0.30 gram per tonne Au.

The Songjiagou Gold Project resource estimate was carried out using industry-standard procedures and a geological interpretation of the deposit that, to the extent possible, reflected observations of grade distributions. Modeling of the deposit is uncertain, however, because it is difficult to establish with a high level of confidence the area of influence of higher-grade gold values. The risk remains, therefore, that the geological model may overstate the distribution of high-grade gold values. If future mining demonstrates that this is in fact the case, then the model may overstate anticipated gold grades. Because the probability of this outcome is unknown, the level of uncertainty must also be unknown.

Foreign countries, laws and regulations

The Company operates primarily 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.

Commodity prices

The profitability of the Company's operations, if established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewelry demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production of the Company's properties to become impracticable.

The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold. The prices of these commodities are affected by numerous factors beyond the Company's control.

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A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares.

Environmental compliance and other regulatory requirements

Any significant mining operation will have some environmental impact, including land and habitat impact, arising from the use of land for mining and related activities, and certain impact on water resources near the project sites, resulting from water use, rock disposal and drainage run-off. The current exploration and mining activities of the Company require permits from various governmental authorities and such operations are, and will be, governed by laws and regulations governing exploration, mining, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration and mining activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits the Company may require for exploration, development and mining will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project the Company may undertake.

The Company's operations are subject to local laws and regulations regarding environmental matters, which generally provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving towards stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. An environmental assessment of a proposed project carries a heightened degree of responsibility for companies and their directors, officers and employees.

Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing laws or regulations could harm the Company. The Company cannot predict how agencies or courts in foreign countries will interpret existing laws and regulations or the effect these adoptions and interpretations may have on the Company's business or financial condition.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there-under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and mining operations may be required to compensate those suffering loss or damage by reason of the exploration and mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

No assurances can be given that such environmental and compliance issues will not have a material adverse effect on the Company's operations in the future. While the Company believes it does not currently have any material environmental obligations, the cost of complying with existing regulations or changes in governmental regulations have the potential to reduce the profitability of operations, may give rise in the future to significant liabilities on the Company's part to the government and third parties, and may require the Company to incur substantial costs of remediation.

Insurance and uninsured risks

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

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Although the Company maintains insurance to protect against certain risks in such amounts it considers reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on key personnel

The success of the Company will be largely dependent upon the performance of its key officers, employees and consultants. Local mineral deposits and mining operations depend on a number of factors, not the least of which is the technical skill of the exploration and mining personnel involved. The success of the Company is largely dependent on the performance of its key personnel. Failure to retain key personnel or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Property interests

The ability of the Company to carry out successful mineral exploration, development activities and mining operations is dependent, in part, on the Company's ability to acquire and maintain title to its mineral interests. No guarantee can be given that the Company will be in a position to comply with the obligations that this requirement entails, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed.

Furthermore, at any point in time certain of the Company's mineral interests may be the subject of contractual promises to assign, pursuant to which a third party has agreed to assign to the Company, or to an entity in which the Company holds its interest in the applicable property, certain licenses and/or concession contracts upon the issuance of such licenses or concession contracts by the mining registry to the promising party. The failure of a promising party to comply with its contractual obligation could have a materially adverse impact on the Company's interests in the license or concession.

The acquisition of the right to exploit, develop and/or mine its mineral properties is a detailed and time-consuming process. Although the company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its mineral reserves on its mineral interests, there can be no assurances the interest in the Company's properties is free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. There can be no assurances the Company's rights will not be challenged or impugned by third parties, that the Company's interests in properties may be subject to prior unregistered agreements, or that transfers and title may be affected by undetected defects.

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.

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"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:

	Year ended September 30, 2014		Year ended September 30, 2013	
Gold sold (ozs)		18,165		16,894
Total cash costs per ounce				
Contractor costs paid to Dahedong	\$	18,010,269	\$	17,151,624
Smelting costs		502,708		390,170
Resource taxes		1,431,395		2,098,922
Other direct costs		1,200,315		840,944
Changes in ending gold concentrate inventory		18,867		(1,878,334)
Total cash costs	\$	21,163,554	\$	18,603,326
Per ounce sold	\$	1,165	\$	1,101
Total production costs per ounce				
Total cash costs	\$	21,163,554	\$	18,603,326
Depreciation		2,484,234		1,630,177
Amortization of deferred income		-		(194,859)
Total production costs	\$	23,647,788	\$	20,038,644
Per ounce sold	\$	1,302	\$	1,186
All-in sustaining costs per ounce ⁽¹⁾				
Total cash costs	\$	21,163,554	\$	18,603,326
General and administrative, net of depreciation and amortization		5,745,441		8,186,310
Sustaining capital		323,017		399,480
All-in sustaining costs	\$	27,232,012	\$	27,189,116
Per ounce sold	\$	1,499	\$	1,609

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

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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.