



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2014 and 2013

(Expressed in US dollars)

(Unaudited)

Notice to Reader

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

Majestic Gold Corp.**Condensed Consolidated Interim Statements of Financial Position**

(Unaudited - expressed in US dollars)

		December 31, 2014 - \$ -	September 30, 2014 - \$ -
	<i>Note</i>		
ASSETS			
Current assets			
Cash and cash equivalents	4	9,679,291	8,812,166
Receivables	5	311,792	223,382
Deposits and prepaid expenses	6	477,031	910,025
Inventory	7	3,051,300	4,030,889
Investment	8	-	34,377
		13,519,414	14,010,839
Property, plant and equipment	9	83,076,173	82,484,926
Exploration and evaluation assets	10	2	2
Deferred tax assets		230,204	229,646
		96,825,793	96,725,413
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	4,354,805	8,209,777
Loans payable	12	19,240,196	14,101,270
		23,595,001	22,311,047
Asset retirement obligation	13	2,498,968	2,466,708
		26,093,969	24,777,755
EQUITY			
Share capital	14	99,893,830	99,893,830
Reserves	14	12,512,456	12,488,665
Deficit		(59,613,117)	(58,688,929)
Equity attributable to owners of parent		52,793,169	53,693,566
Equity attributable to non-controlling interests	19	17,938,655	18,254,092
Total equity		70,731,824	71,947,658
		96,825,793	96,725,413
Nature of operations	1		
Commitment	9, 20		
Subsequent events	21		

Approved by the Directors:

"John Campbell""Stephen Kenwood"*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

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

		Three months ended December 31,	
		2014	2013
		- \$ -	- \$ -
	<i>Note</i>		
Gold revenue	17	6,762,892	3,871,193
Cost of goods sold	17	6,855,263	2,871,962
Gross profit (loss)		(92,371)	999,231
Selling and administrative expenses			
General and administrative	17	753,718	2,773,511
Loss before other items		(846,089)	(1,774,280)
Other items			
Finance expense	17	338,029	506,543
Finance income		(63,693)	(44,340)
Foreign exchange		(1,111)	3,172
		273,225	465,375
Net loss before income tax		(1,119,314)	(2,239,655)
Income tax expense		42,393	132,966
Net loss for the period		(1,161,707)	(2,372,621)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Realized gain on sale of investments recognized in net loss		(10,347)	-
Unrealized gain (loss) on investments		-	(6,604)
Exchange differences on translating foreign operations		(43,780)	(18,037)
Total other comprehensive loss for the period		(54,127)	(24,641)
Total comprehensive loss for the period		(1,215,834)	(2,397,262)
Net loss for the period attributable to:			
Owners of the parent		(924,188)	(2,139,602)
Non-controlling interests		(237,519)	(233,019)
		(1,161,707)	(2,372,621)
Comprehensive loss for the period attributable to:			
Owners of the parent		(900,397)	(2,288,184)
Non-controlling interest		(315,437)	(109,078)
		(1,215,834)	(2,397,262)
Loss per share attributable to owners of the parent - basic and diluted		(0.00)	(0.00)
Weighted average number of common shares outstanding - basic and diluted		839,765,216	839,765,216

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

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

	Number of shares	Attributable to owners of the parent					Total	Non-controlling interest	Total equity
		Share capital	Share-based payment reserve	Foreign currency translation reserve	Available-for-sale-reserve	Deficit			
		- \$ -	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -
Balance, September 30, 2013	839,765,216	99,893,830	10,691,293	2,489,060	-	(52,378,998)	60,695,185	19,462,449	80,157,634
Comprehensive loss									
Net loss for the period	-	-	-	-	-	(2,139,602)	(2,139,602)	(233,019)	(2,372,621)
Translation to reporting currency	-	-	-	(141,978)	-	-	(141,978)	123,941	(18,037)
Unrealized loss on investment classified as available for sale	-	-	-	-	(6,604)	-	(6,604)	-	(6,604)
Total comprehensive loss for the period	-	-	-	(141,978)	(6,604)	(2,139,602)	(2,288,184)	(109,078)	(2,397,262)
Balance, December 31, 2013	839,765,216	99,893,830	10,691,293	2,347,082	(6,604)	(54,518,600)	58,407,001	19,353,371	77,760,372
Balance, September 30, 2014	839,765,216	99,893,830	10,691,293	1,786,804	10,568	(58,688,929)	53,693,566	18,254,092	71,947,658
Comprehensive loss									
Net loss for the period	-	-	-	-	-	(924,188)	(924,188)	(237,519)	(1,161,707)
Translation to reporting currency	-	-	-	34,359	(221)	-	34,138	(77,918)	(43,780)
Realized gain on sale of investment classified as available for sale	-	-	-	-	(10,347)	-	(10,347)	-	(10,347)
Total comprehensive loss for the period	-	-	-	34,359	(10,568)	(924,188)	(900,397)	(315,437)	(1,215,834)
Balance, December 31, 2014	839,765,216	99,893,830	10,691,293	1,821,163	-	(59,613,117)	52,793,169	17,938,655	70,731,824

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

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

	Three months ended December 31,	
	2014	2013
	- \$ -	- \$ -
Cash provided from (used for):		
Operating activities		
Net loss for the period	(1,161,707)	(2,372,621)
Items not involving cash:		
Depreciation of property, plant and equipment	690,860	414,752
Amortization of deferred income	-	-
Finance expense	338,029	506,529
Income tax expense	42,393	132,966
Gain on sale of investments	(10,347)	-
Changes in non-cash working capital balances:		
Receivables	(88,410)	402,552
Deposits and prepaid expenses	391,136	222,009
Inventory	989,309	(2,428,815)
Accounts payable and accrued liabilities	(3,845,087)	301,361
Interest paid	(227,837)	(196,636)
Incomes taxes paid	-	(132,450)
Net cash used for operating activities	(2,881,661)	(3,150,353)
Investing activities:		
Expenditures on property, plant and equipment	(976,259)	(398,896)
Proceeds on sale of investments	34,362	-
Net cash used for investing activities	(941,897)	(398,896)
Financing activities:		
Loan advances	10,086,498	3,264,560
Loan repayments	(5,066,054)	(3,435,949)
Net cash provided from (used for) financing activities	5,020,444	(171,389)
Effect of foreign exchange on cash and cash equivalents	(329,761)	(278,705)
Net increase (decrease) in cash and cash equivalents	867,125	(3,999,343)
Cash and cash equivalents, beginning	8,812,166	16,365,423
Cash and cash equivalents, ending	9,679,291	12,366,080

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

1. Nature of operations

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

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

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

2. Basis of preparation and significant accounting policies

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these financial statements are based on International Financial Reporting Standards (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) issued and outstanding as at February 26, 2015, the date the audit committee to the board of directors approved these unaudited condensed consolidated interim financial statements for issue.

Basis of preparation

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

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

Basis of consolidation

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

The net interest of the Company’s most significant subsidiaries are presented below:

	Country of incorporation	Percentage as at September 30, 2014	Percentage as at September 30, 2013
Majestic Yantai Gold Ltd.	BVI	94%	94%
Yantai Zhongjia Mining Inc.	China	70.5%	70.5%

Use of estimates

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

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

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

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

a) The useful lives of property, plant and equipment

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

b) Asset retirement obligation

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

c) Impairment of the Company's mining assets

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

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

The Company has concluded that, as at December 31, 2014, there are indicators of impairment of the Company's Songjiagou Gold Mine (Note 9) which comprises the Company's sole cash generating unit.

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

d) Other significant estimates

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

Use of judgments

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

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

a) The determination of functional currency

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

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

Foreign currency translation

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

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

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

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

Comparative figures

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

New standards adopted during the period

The Company adopted the following new accounting standards:

Amendments to IAS 32 "Financial Instruments: Presentation"

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

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

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

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

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

4. Cash and cash equivalents

	December 31, 2014	September 30, 2014
	- \$ -	- \$ -
Cash	4,729,291	3,389,006
Term deposits	4,950,000	5,423,160
Total	9,679,291	8,812,166

Cash of \$4,655,490 is held in China and is subject to local exchange control regulations. Chinese exchange control regulations provide for restrictions on exporting capital from China, other than through normal dividends.

5. Receivables

	December 31, 2014	September 30, 2014
	- \$ -	- \$ -
Sales taxes receivable	304,281	216,588
Other receivables	7,511	6,794
Total	311,792	223,382

6. Deposits and prepaid expenses

	December 31, 2014	September 30, 2014
	- \$ -	- \$ -
Prepayment for mining supplies and services	263,275	640,428
Rent deposit	20,498	21,754
Other advances and prepayments	193,258	247,845
Total	477,031	910,025

7. Inventory

	December 31, 2014	September 30, 2014
	- \$ -	- \$ -
Gold concentrate	1,299,684	2,224,497
Ore stockpile	1,751,616	1,806,392
Total	3,051,300	4,030,889

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

8. Investment

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

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

9. Property, plant and equipment

	Heavy machinery and equipment - \$ -	Office furniture and equipment - \$ -	Mill - \$ -	Mining property - \$ -	Construction in progress (CIP) - \$ -	Total - \$ -
Cost						
At September 30, 2014	785,817	480,651	50,368,953	37,724,534	-	89,359,955
Additions	-	4,061	972,198	-	-	976,259
Change in asset retirement cost	-	-	-	-	-	-
Disposal	-	(5,217)	-	-	-	(5,217)
Foreign exchange adjustment	1,908	(4,216)	122,324	199,764	-	319,780
At December 31, 2014	787,727	475,279	51,463,475	37,924,298	-	90,650,777
Accumulated depreciation						
At September 30, 2014	(200,099)	(256,204)	(3,382,520)	(3,036,206)	-	(6,875,029)
Depreciation	(33,395)	(19,732)	(365,118)	(272,615)	-	(690,860)
Disposal	-	3,652	-	-	-	3,652
Foreign exchange adjustment	(488)	3,743	(8,234)	(7,388)	-	(12,367)
At December 31, 2014	(233,982)	(268,541)	(3,755,872)	(3,316,209)	-	(7,574,604)
Net book value						
At September 30, 2014	585,718	224,447	46,986,433	34,688,328	-	82,484,926
At December 31, 2014	553,745	206,738	47,707,603	34,608,089	-	83,076,173

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

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

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

9. Property, plant and equipment (continued)

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

Significant terms of the New Mining Agreement are as follows:

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

At December 31, 2014, the Company had a balance owing to Dahedong of \$2,351,296 (September 30, 2014 - \$2,281,322) (Note 11).

The amount of \$2,351,296 due to Dahedong as at December 31, 2014, bears no interest, is unsecured, and is due on demand.

10. Exploration and evaluation assets

Other properties

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

11. Accounts payable and accrued liabilities

	December 31, 2014	September 30, 2014
	-\$-	-\$-
Trade and other payables	1,999,804	5,928,455
Amount due to Dahedong (Note 9 and 15)	2,351,296	2,281,322
Amounts due to related parties (Note 15)	3,705	-
Total	4,354,805	8,209,777

12. Loans payable

	December 31, 2014	September 30, 2014
	-\$-	-\$-
Balance, beginning	14,101,270	15,879,791
Accrued interest and fees	311,758	995,405
Banker's acceptance notes	1,629,062	-
Loan advances	8,457,436	13,675,436
Loan and interest repayments	(5,293,891)	(16,408,597)
Foreign exchange adjustment	34,561	(40,765)
Balance, ending	19,240,196	14,101,270

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

12. Loans payable

At December 31, 2014, the loans outstanding consist of:

- (i) a \$3,258,125 (CNY 20,000,000) (September 30, 2014 - \$3,250,236) one year loan bearing an interest of 6.6% per annum. The loan is repayable on August 18, 2015. The loan is guaranteed by Dahedong, the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (ii) a \$1,629,062 (CNY 10,000,000) (September 30, 2014 - \$1,625,118) one year loan bearing an interest of 6.0% per annum. The loan was repayable on January 9, 2015. The loan is guaranteed by certain third parties, including Dahedong. On January 9, 2015, the loan was renewed, with an interest rate of 7.0% per annum and a new maturity date is January 8, 2016 (Note 21);
- (iii) a \$4,887,187 (CNY 30,000,000) (September 30, 2014 - \$4,875,352) one year loan bearing an interest of 6.6% per annum. The loan is repayable on August 20, 2015. The loan is guaranteed by the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (iv) a \$3,258,125 (CNY 20,000,000) (September 30, 2014 - \$3,250,236) one year loan bearing an interest of 6.6% per annum. The loan is repayable on November 22, 2015. The loan is guaranteed by the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (v) a \$1,762,646 (CNY 10,820,000) (September 30, 2014 - \$Nil) one year loan bearing an interest rate of 1.0% per month plus 5% if the loan is not repaid at maturity. The loan agreement is with Dahedong and is repayable on October 19, 2015;
- (vi) a \$1,629,062 (CNY 10,000,000) (September 30, 2014 - \$Nil) one year loan bearing an interest of 6.25% per annum. The loan is repayable on November 11, 2015. The loan is guaranteed by the owner of Dahedong and the company that provides gold concentrate refining services to the Company;
- (vii) a \$1,629,062 (CNY 10,000,000) (September 30, 2014 - \$Nil) series of banker's acceptance notes bearing a 0.05% handling fee and a daily interest rate payable of 0.005%. The notes are redeemable in six months from the date of issue. The notes are guaranteed by certain third parties;
- (viii) Accrued interest of \$1,186,925 (CNY 7,285,940) (September 30, 2014 - \$1,100,328) relating to the above loans, which includes accrued interest of \$70,375 (CNY432,000) (September 30, 2014 - \$Nil) owing to Dahedong.

13. Asset retirement obligation

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

	December 31, 2014 -\$-	September 30, 2014 -\$-
Balance, beginning	2,466,708	2,535,792
Additions and changes in estimates of net present value	-	(175,422)
Accretion	26,271	113,999
Foreign exchange adjustment	5,989	(7,661)
Balance, ending	2,498,968	2,466,708

The Company's asset retirement obligation consists of costs associated with mine reclamation and closure activities on the Songjiagou Gold Mine (Note 9). These activities, which are site specific, include costs for earthworks, re-contouring, re-vegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, the Company used a risk-free rate of 4.25% (2013 – 4.25%) and an inflation rate of 3.0% (2013 – 3.0%). The majority of the expenditures are expected to occur in or after 2022.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

14. Share capital and Reserves

a) Authorized:

Unlimited number of common shares without par value.

b) Issued share capital:

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

c) Stock Options

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

The continuity of stock options for the three months ended December 31, 2014, is as follows:

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

d) Reserves

Share-based payment reserve

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

Foreign currency translation reserve

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

Available-for-sale reserve

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

15. Related party transactions and balances

Related party transactions

The Company incurred the following related party transactions during the three months 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

Key management personnel compensation

	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.

Related party balances

	December 31, 2014	September 30, 2014
	-\$-	-\$-
Amounts due to companies controlled by Directors and Officers of the Company (Note 11)	3,705	-
Amounts due to Dahedong (Note 11)	2,351,296	2,281,322
Loan due to Dahedong (Note 12)	1,833,021	-
	4,188,022	2,281,322

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

16. Segmented information

The Company operates in one industry segment, being the exploration, development and operation of mining properties in China. All of the Company's capital assets are located in China, except office furniture and equipment with a net book value of \$25,207 located in the Company's head-office in Vancouver, Canada. All of the Company's revenues are earned in China.

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

17. Revenue and Expenses

Revenue

	Three months ended December 31, 2014	Three months ended December 31, 2013
	-\$-	-\$-
Sales of gold bullion	6,762,892	3,653,833
Lease of underground mine	-	217,360
Total	6,762,892	3,871,193

The Company leased the mining of the underground mine to a third party for a two year period which expired March 25, 2014. The lease is for \$1,122,442 (CNY 7,000,000) per annum, subject to adjustment if the price of gold falls below CYN330 per gram.

Cost of goods sold

	Three months ended December 31, 2014	Three months ended December 31, 2013
	-\$-	-\$-
Contractor costs paid to Dahedong	4,668,374	4,305,136
Depreciation	637,733	368,882
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	6,855,263	2,871,962

General and administrative

	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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

17. Revenue and Expenses (continued)

Finance expense

	Three months ended December 31, 2014 -\$-	Three months ended December 31, 2013 -\$-
Interest on loans (Note 12)	241,383	283,876
Interest on loans due to Dahedong (Note 9&12)	70,375	194,091
Accretion of asset retirement obligation (Note 13)	26,271	28,576
Total	338,029	506,543

18. Risks and capital management

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

Credit Risk

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

Liquidity Risk

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

Industry Risk

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

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

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

18. Risks and capital management (continued)

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

Market Risk

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

Interest Rate Risk

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

Majestic Gold Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2014 and 2013
(Unaudited - expressed in US dollars)

19. Non-controlling interest

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

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

	December 31, 2014	September 30, 2014
	-\$-	-\$-
Current:		
Assets	8,031,479	7,913,589
Liabilities	(25,696,435)	(21,936,877)
Total current net liabilities	(17,664,956)	(14,023,288)
Non-current		
Assets	83,050,968	82,455,858
Liabilities	(5,577,896)	(5,538,181)
Total non-current net assets	77,473,072	76,917,677
Balance, ending	59,808,116	62,894,389

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

	December 31, 2014	December 31, 2013
	-\$-	-\$-
Revenue	6,762,892	3,871,193
Net income (loss) before income tax	(804,549)	46,721
Income tax expense	42,393	(132,966)
Net loss	(846,942)	(86,245)
Other comprehensive income	2,766,209	1,885,596
Comprehensive income (loss)	1,919,267	1,799,351

20. Commitments

Operating lease commitments

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

	2015	2016	2017	2018	Total
	\$	\$			\$
Operating lease commitments:					
Office premises	77,033	63,887	27,180	11,325	179,424

21. Subsequent event

Subsequent to December 31, 2014, the Company renewed its bank loan for CNY 10,000,000 (\$1,629,062) on January 9, 2015 with an interest rate of 7.0% per annum and a new maturity date of January 8, 2016.