



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

**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

*(Expressed in US dollars)*

**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Six Months Ended June 30, 2021**

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**INTRODUCTION**

The following Management Discussion and Analysis ("MD&A") dated August 23, 2021, discusses the financial condition and results of operations of Majestic Gold Corp. (TSX-V: MJS) ("Majestic" or "the Company") for the six months ended June 30, 2021. The MD&A should be read in conjunction with the accompanying unaudited condensed consolidated financial statements of the Company and notes thereto for the six months ended June 30, 2021 (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.

This discussion focuses on key statistics from the unaudited condensed consolidated financial statements for the six months ended June 30, 2021, 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.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.majesticgold.com](http://www.majesticgold.com).

**CORONA VIRUS ("COVID-19") DISCUSSION**

Since mid-January 2020, there has been a widespread of COVID-19, which in March 2020, the World Health Organization categorized as a pandemic within the Peoples Republic of China ("PRC") and globally outside the PRC. COVID-19 had affected more than 200 countries. As a result, businesses in major cities in the PRC, including Yantai city where the Company's operations are located, had been temporarily suspended in order to contain and mitigate the current outbreak.

To comply with the PRC government's measures to contain and mitigate the COVID-19 outbreak, the Company also had suspended certain office administrative functions in the PRC for approximately three weeks in February 2020. During this period, the Company had experienced a temporary suspension in the delivery of our gold concentrate to the gold refineries although there was no suspension in the mining and processing operations, with full operations resuming on February 24, 2020.

**GOVERNMENT INSPECTIONS OF MINING OPERATIONS**

On August 12, 2021, the Company received approval to resume mining operations at the Songjiagou Open Pit Mine and received approval on May 14, 2021, to resume mining operations at the Songjiagou Underground Mine. Governmental approval was granted following successful completion of the cautionary safety inspections at both its mines. The Shandong Provincial government suspended all mining operations on January 27, 2021, following a mining accident in the region and mandated cautionary safety inspections of all non-coal operations in the province. The provincial and city governments initiated a provincial wide program to inspect all gold mines in the Shandong province to ensure compliance with the provincial safety standards, prior to granting approval for the resumption of mining operations.

The Company has operated the Songjiagou Gold Mine accident free since commencing production. The Company confirms that its safety permits for both its underground and open pit mines are valid until September 11, 2022 and March 1, 2023 respectively.

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

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**OPERATIONAL HIGHLIGHTS**

*Six months ended June 30, 2021*

- On August 12, 2021, the Company received approval to resume mining operations at the Songjiagou Open Pit Mine following successful completion of its safety inspection. The mining operations had been suspended since January 27, 2021, pending a province wide governmental cautionary safety inspections of all non-coal operating mines;
- **Net income** was \$6.0 million for the six months ended June 30, 2021, a decline from \$6.5 million for the FY2020 comparative period. Net income for 2021 includes a one-time income tax recovery of \$2.8 million from a retrospective change of the Company's subsidiary corporate tax rate from 25% to 15%;
- **Gold production** decreased by 54% to 7,287 ounces, from 15,912 ounces produced for the FY2020 comparative period. The decrease in production is due to mining operations being curtailed since January 27, 2021 pending completion of the governmental safety inspections;
- **Gold revenue** was \$14.7 million, a decrease of 37% from \$23.5 million for the FY2020 comparative period. The decline in revenue is primarily due to the decrease in gold available for sale as result of the curtailment of the mining operations since January 27, 2021;
- **Gross profit** from mining operations decreased by 39% to \$6.9 million, from \$11.2 million for the FY2020 comparative period due to the curtailment of the mining operations since January 27, 2021;
- **Cash flow** from operating activities decreased by 93% to \$1.2 million, from \$17.6 million for the FY2020 comparative period;
- **Total cash costs and all-in sustaining costs ("AISC")** for the first six months ended June 30, 2021, were \$732 per ounce and \$965 per ounce, compared to \$607 per ounce and \$737 per ounce for the FY2020 comparative period; For AISC computation details, refer to pages 17-18 of the MD&A for this Non-IFRS financial measure;
- **Adjusted EBITDA** for the first six months ended June 30, 2021, was \$7.2 million, compared to \$12.5 million for the FY2020 comparative period. For EBITDA computation details, refer to pages 17-18 of the MD&A for this Non-IFRS financial measure;
- On April 1, 2021, the Company reported the renewal of the Songjiagou North Underground mining license with the Shandong Natural Resource Bureau until February of 2031;
- On May 14, 2021, the Company reported the successful completion of its safety inspection and receiving approval to resume mining operations at the Songjiagou Underground Mine; and
- On July 2, 2021, the Company entered into a letter of intent ("LOI") with Western Explorers PTY Ltd. ("Western Explorers"), a private Australian corporation, to acquire a 65% interest in four separate tenements located in Western Australia, an area with demonstrated potential for the discovery of lithium oxide mineralization.

**OUTLOOK**

- As mining operations have resumed at the Songjiagou Gold Mine, the Company expects gold production rates to return back those achieved prior to the suspension of its mining operations.
- The Company intends to conduct a technical review as well as preliminary exploration work on the four Western Australian tenements held under the LOI. The timing of the work is currently pending due to safety concerns given the current status of the COVID-19 coronavirus in Western Australia but expects to complete it over the next six months.
- The Company has not experienced any significant impact on its mining operations as result of the COVID-19 pandemic. The Company has been operating without significant interruption since March 2020, when the World Health Organization categorized COVID-19 as a global pandemic. The Company continues to monitor the health of its employees and its supply chains to be able to respond to any potential disruptions.

**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Six Months Ended June 30, 2021**

- The Company, with operations now resumed, will continue its focus on the expansion of its mining operations at the Songjiagou Gold Mine.
- As part of the Company's future growth strategy, Majestic is pursuing potential property acquisitions, explore corporate financings opportunities as well as other development opportunities.

**DESCRIPTION OF BUSINESS**

Majestic is a Vancouver, Canada based gold producer with mining operations in China and exploration and evaluation properties held directly or under option agreement in Australia, China and Canada. The Company's main business involves the acquisition, exploration and development of mineral properties. At June 30, 2021, and at the date of this MD&A, the Company's mineral property interests and mining operations are located in China, with the Songjiagou Gold Mine as the Company's flagship project as well holding directly or under options on early-stage exploration properties in China, Australia and Canada. The Company is a TSX Venture Exchange listed mining company trading under the symbol "MJS".

**NORMAL COURSE ISSUER BID**

On May 27, 2021, the Company announced its intention to commence a normal course issuer bid (NCIB) under which the Company may, over a 12-month period, commencing June 3, 2021 and ending on June 2, 2022, purchase up to 52,386,319 Shares, which represents 5% of the Company's total 1,047,726,381 issued and outstanding Shares. Purchases will also not exceed 20,954,527 Shares or 2% of the Company's total issued and outstanding Shares within any 30-day period. Since the NCIB began and up to July 31, 2021, a total of 500,000 common shares have been purchased and cancelled through the NCIB.

**SONGJIAGOU GOLD MINE**

The Company's principal mining operation is the Songjiagou Gold Mine ("Songjiagou Project" and "Songjiagou") located in Shandong province, China. The Company commenced commercial gold production at the Songjiagou Gold Mine in May 2011. Majestic holds its 75% interest in Songjiagou through its 94% owned subsidiary Majestic Yantai Gold Ltd. The remaining 25% of Songjiagou is held by Yantai Dahedong Processing Co. Ltd.. The Company's mining license for the Songjiagou Gold Mine is valid until May 17, 2031.

**RESOURCE**

The Company filed an amended technical report titled "Independent Technical Report of Songjiagou Project, Shandong Province, The People's Republic of China" (the "Amended Report") dated January 19, 2016, as prepared by SRK Consulting (China) Ltd. ("SRK").

The Amended Report is an amendment of the initial technical report in support of the Preliminary Economic Assessment ("PEA") for the Songjiagou Gold Mine dated August 2, 2013, and prepared by SRK Consulting (China) Ltd. The Amended Report is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.majesticgold.com](http://www.majesticgold.com).

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

**Global Resource**

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

**Within Original Mining License**

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

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

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

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A PEA should not be considered to be a prefeasibility or feasibility study, as the economics and technical viability of the Songjiagou Project have not been demonstrated at this time. A PEA is preliminary in nature; it includes inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves; there is no certainty that the preliminary assessment will be realized.

**SONGJIAGOU NORTH UNDERGROUND MINE**

The Songjiagou North Underground Mine ("Songjiagou Underground") project area lies immediately north of the Songjiagou Gold Mine, within the project's mining license boundary. The area underlain by precious metal mineralized vein structures was converted to a five-year, 0.414 sq. km. mining license that was granted on February 18, 2016 and is valid until February 18, 2031. The mining license area covers a continuation of the gold mineralization that is currently being developed in the adjacent Songjiagou Gold Mine. The Company commenced production at Songjiagou North Underground in October 2019.

The Songjiagou North Underground Mine development includes a 2,650 metre access ramp, a main auxiliary shaft, air shafts, and inclined shafts connecting the five levels developed at +49, +9, -40m, -80m and -160 m. SRK Consulting (China) Ltd, is working with the Company to update the Company's NI 43-101 Technical Report which includes the Songjiagou North underground Mine into the updated Technical Report and will be published following its completion.

**EXPLORATION**

**Australia – Four Tenements in Western Australian**

On June 15, 2021, the Company entered into a letter of intent with Western Explorers PTY Ltd., a private Australian corporation, to acquire a 65% interest in four separate tenements located in Western Australia, an area with demonstrated potential for the discovery of lithium oxide mineralization. The Company is planning its technical review of the tenements as well as conducting some preliminary exploration work. The timing of the work is currently pending due to safety concerns given the current status of the COVID-19 coronavirus in Western Australia but expects to complete it over the next six months.

**Tenement E36/918**

This tenement has been granted and consists of 2 blocks located 150 kms North of Leonora, about 50 kms north of Leinster, along the east side of the Kathleen Valley. The property is prospective for both lithium and tantalum and is underlain by the Norseman-Wiluna Greenstone Belt, within the Archaean Yilgarn Craton in Western Australia. Lithium mineralisation is hosted within spodumene-bearing pegmatites, which are part of a series of rare-metal pegmatites that formed at the edge of granite as well as within the greenstone belt in the region. Three kms to the west is Liontown Resource's Kathleen Valley project which has several mineralised pegmatites which are formed within the structure of the greenstone belt and have been modelled at the Kathleen Valley hosted by two outcropping northwest trending pegmatite swarms.

**Tenement E37/1334**

This tenement has been granted and consists of six blocks located west of Leonora township, 200 kms North of Kalgoorlie and 700 kms northeast of Perth, in the Goldfields region. The project is in the Yilgarn craton granites on the West side of the Wiluna-Norsman structure. Lithium mineralization is formed along the periphery of the granite, at the edge of the greenstone belt. Although there is no outcrop of pegmatite in the tenement area, gold mining in the area by Sons of Gwalia Mining encountered pegmatites in their diggings. North trending fault structures splaying off the main Wiluna-Norsman structure will be prospected for lithium rich pegmatites in a first-pass program.

**Tenement E63/2110 (Kumarl)**

This tenement has been granted and is comprised of 10 blocks located 250 kms south of Kalgoorlie and 90 kms north of the port city of Esperance, about 700 kms east of Perth, along the Coolgardie-Esperance. The project is at the southern end of Wiluna-Norsman fault zone, along the periphery of the Yilgarn craton granites. Regionally, lithium mineralization is found in small scale pegmatite swarms along north-south trending faults, including the Buldania and Mt. Dean lithium occurrences. On this tenement, previously mapped splays off the main north-south fault zone will be prospected for lithium-bearing pegmatites.

**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Six Months Ended June 30, 2021**

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Tenement E77/2817 (Moorine)

This tenement, under application, is comprised of 8 blocks located 400 kms east of Perth and 20 kms south of Southern Cross, near the Great Eastern highway. The project is located within the Yilgarn craton granites, centred on a northwest trending fault structure similar to the Mt. Holland lithium project and on strike with the Mt. Hollenton pegmatite. At the south end of this district is Galaxy Resource's Mt. Cattlin lithium deposit.

Summary of Terms of Agreement:

- Majestic has the right to carry out a technical review and preliminary exploration work on the tenements during a period of six months;
- Provided that the Company expends a total of A\$100,000 within the six-month period, it shall have the right to acquire a 65% interest in the tenements by entering into a joint venture with Western Explorers. To earn its interest, the Company must contribute A\$1,000,000 over a period of two years for exploration and maintenance of the tenements;
- After Majestic has earned 65% interest in the joint venture, both parties shall contribute in cash for further exploration and exploitation in proportion to its ownership interest. If a Party does not contribute, then the other Party may subscribe for and contribute, in which case the ownership interest of the non-contributing Party may be diluted.

**Australia - Fair Adelaide East Project**

In December 2019, Majestic has entered into a letter agreement (the "Agreement") with Plutus Resources Pty. Ltd. ("Plutus"), a privately owned Australian company, whereby Majestic has been granted an option to acquire a 51% interest in Fair Adelaide East Project ("FAE") which consists of eight tenements located in Western Australia.

The Company reported its March 2021 exploration results at the Fair Adelaide East and Queen Adelaide prospect. The exploration program tested eighteen holes for near surface gold mineralization near the western boundary of the property. Greenstone rocks that host gold mineralization at these prospects play host regionally to the Siberia, Mt. Pleasant and Paddington gold deposits.

Five of the holes drilled by the Company at these prospects returned anomalous results, with the best hole returning 0.54 g/t gold over 7.0 meters, from 32.0 to 39.0 meters depth, including 2.52 g/t gold over 1.0 meter from Hole 15.

The Company drilled 3 holes at Puzzle Bear, testing mineralization that was drilled by Crusader Resources in 2004. Holes 20 and 21 drilled by the Company returned anomalous nickel and cobalt values starting at surface, as follows:

- Hole 20 intersected 0.26% nickel and 0.031% cobalt over 8.0 meters
- Hole 21 intersected 0.24% nickel and 0.020% cobalt over 7.0 meters

As the March 2021 FAE exploration results indicated low values of gold, nickel and cobalt, the Company has decided not to pursue further exploration work on the project and on June 18, 2021, the Company terminated the FAE agreement. The Company has written-off all deferred costs incurred to date.

**China Exploration Projects**

On October 23, 2019, the Company has entered into three separate non-binding Memorandums of Understanding ("MOUs") with three different groups (the "Parties") on four gold projects located in the Muping-Rushan gold belt in eastern Shandong Province, China.

Under the terms of each of the MOUs, Majestic and each of the Parties have agreed to a 12-month exclusivity period whereby Majestic shall have the right to carry out a thorough due diligence review of the business, finance and legal status of each party and its assets. Majestic has agreed to complete a Competent/Qualified Persons report for each of the four properties and upon completion of its due diligence, Majestic will decide upon a possible joint venture, merger or acquisition with each of the Parties and/or their assets.

**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Six Months Ended June 30, 2021**

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Pursuant to the MOUs signed by Majestic, the Company has contracted SRK Consulting China Ltd. to prepare Competent/Qualified Persons reports for the four properties that are the subjects of the MOUs, as outlined below.

**Baiheng**

Majestic's October 2019 MOU replaces its 2015 MOU with Yantai Baiheng Gold Mine Co. Ltd. ("Baiheng") allowing more thorough due diligence of Baiheng and its two gold properties: Xia Yu Cun and Shuang Shan Tun. These two gold properties are in relative proximity to Majestic's Songjiagou Gold Mine, with the properties located 16.5 and 26 kilometres northeast of Songjiagou Gold Mine. Both properties were former gold producers and have been explored recently by Baiheng in order to expand gold mineralization laterally and at depth.

Baiheng has been focused on Shuang Shan Tun, a property with a 2.05 square kilometre Prospecting License and a 0.778 square kilometre Mining License. The previous operator of Shuang Shan Tun mined eight gold mineralized structures from near surface down to a depth of about 250 metres. Since taking over, Baiheng has since discovered 15 deep gold-mineralized vein structures down to a depth of about 1,000 metres. Baiheng has developed a production shaft down to 1,000 metres in order to develop the horizontal levels giving access to three of the higher-grade mineralized structures.

At Xia Yu Cun, Baiheng holds a 3.14 square kilometre Prospecting License and is in the process of renewing its 0.44 square kilometre Mining License. Mining by the previous operator at Xia Yu Cun was stopped at a depth of 100 metres. Baiheng has since delineated gold mineralization from eight distinct mineralized vein structures that are found from 100-800 metres below surface but Baiheng has not proceeded with any development on the property.

**Moshan**

Majestic's second MOU is with Moshan Fanda Mining Co. Ltd. ("Fanda"), owner of the Moshan property, located 14.5 kilometres northeast of Majestic's Songjiagou gold mine. Fanda owns a 5.2 square kilometre Exploration License that covers an area where they expanded mineralization on 15 gold-mineralized vein structures and discovered an additional four mineralized vein structures in exploration between 2015 and 2016.

**Jiaxing**

Majestic's third MOU is with Weihai Jiaxing Mining Co. Ltd. ("Jiaxing"), owner of the Waizhuang property, located approximately 25 kilometres southeast of Majestic's operation at Songjiagou. The property is comprised of a 10.15 square kilometre Exploration License. Jiaxing conducted detailed exploration of the property in 2015 and discovered a total six gold-mineralized vein structures

**QUALIFIED PERSON**

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

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

**SELECTED FINANCIAL AND OPERATING RESULTS**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Operating data</b>				
Gold produced (ozs)	2,084	9,034	7,287	15,912
Gold realized net of smelting fees (ozs)	1,948	8,356	6,750	14,716
Gold sold (ozs)	4,900	8,298	7,930	15,053
Average realized gold price (\$/oz sold)	\$ 1,832	\$ 1,587	\$ 1,859	\$ 1,560
Total cash costs (\$/oz sold) <sup>(1)</sup>	907	537	732	607
Total production costs (\$/oz sold) <sup>(1)</sup>	1,080	716	995	814
All-in sustaining costs (\$/oz sold) <sup>(1)</sup>	1,092	670	965	737
<b>Financial data</b>				
Gold revenue	\$ 8,975,339	\$ 13,169,364	\$ 14,745,825	\$ 23,481,272
Gross profit <sup>(2)</sup>	3,682,594	7,231,897	6,857,461	11,222,591
Adjusted EBITDA <sup>(1)</sup>	3,622,838	7,739,341	7,158,491	12,524,068
Net income	1,315,785	4,392,775	6,022,428	6,546,337
Net income attributable to shareholders	806,339	2,932,040	4,078,797	4,352,136
Basic and diluted income per share	0.00	0.00	0.01	0.01

	June 30,	December 31,
	2021	2020
<b>Balance Sheet</b>		
Cash and cash equivalents	\$ 35,277,188	\$ 33,774,231
Total assets	132,067,467	126,715,193
Total current liabilities	33,465,025	31,920,104

(1) See "Additional Non-IFRS Financial Measures" on pages 17-18.

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

**RESULTS OF OPERATIONS**

**Gold Production**

(Ounces)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Songjiagou Operations</b>				
Songjiagou Gold Mine	2,084	7,264	6,854	12,195
Songjiagou North Underground	-	1,770	433	3,717
<b>Total</b>	<b>2,084</b>	<b>9,034</b>	<b>7,287</b>	<b>15,912</b>



**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Production data</b>				
<i>Songjiagou Gold Mine</i>				
Tonnes mined	-	503,256	234,618	727,948
Tonnes milled	132,559	381,783	424,786	727,960
Head grade (g/t)	0.50	0.62	0.53	0.55
Mill recovery	94%	95%	94%	95%
Gold produced (ozs)	2,084	7,264	6,854	12,195
Gold realized net of smelting fees (ozs)	1,948	6,728	6,347	11,296
<i>Songjiagou Underground Mine</i>				
Tonnes mined	-	21,754	8,092	45,669
Tonnes milled	-	21,754	8,092	45,669
Head grade (g/t)	-	2.53	1.70	2.53
Mill recovery	-	99%	98%	99%
Gold produced (ozs)	-	1,770	433	3,717
Gold realized net of smelting fees (ozs)	-	1,628	403	3,420
<i>Total Songjiagou Operations</i>				
Tonnes mined	-	525,010	242,710	773,617
Tonnes milled	132,559	403,537	432,878	773,629
Head grade (g/t)	0.50	0.66	0.55	0.60
Mill recovery	94%	96%	95%	95%
Gold produced (ozs)	2,084	9,034	7,287	15,912
Gold realized net of smelting fees (ozs)	1,948	8,356	6,750	14,716

Gold production was 2,084 ounces for the second quarter of FY2021, from 132,559 tonnes of ore milled with an average grade of 0.50 g/t and a 94% recovery rate, compared to 9,034 ounces produced, from 403,537 tonnes milled with an average grade of 0.66 g/t and a 96% recovery rate, for the FY2020 comparative quarter.

Gold production was 7,287 ounces for the six-month period ended June 30, 2021, from 432,878 tonnes of ore milled with an average grade of 0.55 g/t and a 95% recovery rate, compared to 15,912 ounces produced, from 773,629 tonnes milled with an average grade of 0.6 g/t and a 95% recovery rate, for the FY2020 comparative period.

Gold production declined during the current period due to the suspension of the mining operations since January 27, 2021, and with operations only returning to full capacity on August 12, 2021. Mining operations had been suspended pending cautionary safety inspections mandated by the Shandong Provincial government following two mining accidents occurring in the region. During the temporary suspension, the Company was able to periodically process ore from its stockpile, but due to its lower grade and limited quantity available, the Company was not able to maintain its previous gold production rates. As mining operations have been approved to resume, the Company expects gold production to return to previous rates.

**Gold Revenue**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Gold</b>				
Ounces sold	4,900	8,298	7,930	15,053
Average realized price (\$/oz)	\$ 1,832	\$ 1,587	\$ 1,859	\$ 1,560
<b>Revenues</b>				
Gold	\$ 8,975,339	\$ 13,169,364	\$ 14,745,825	\$ 23,481,272

Gold revenue for the second quarter of FY2021 was \$9 million, from the sale of 4,900 ounces, at an average realized gold price of \$1,832 per ounce, compared to gold sales revenue of \$13.2 million for the FY2020 comparative quarter, from the sale of 8,298 ounces, at an average realized gold price of \$1,587 per ounce.

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

Gold revenue for the six-month period ended June 30, 2021 was \$14.8 million, from the sale of 7,930 ounces, at an average realized gold price of \$1,859 per ounce, compared to gold sales revenue of \$23.5 million for the FY2020 comparative period, from the sale of 15,053 ounces, at an average realized gold price of \$1,560 per ounce.

**Cost of Sales**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Ounces sold</b>	4,900	8,298	7,930	15,053
<b>Per ounce of gold sold <sup>(1)</sup></b>				
Cash costs	\$ 907	\$ 537	\$ 732	\$ 607
Production costs	1,080	716	995	814
<b>Cost of Goods Sold</b>				
Total cash costs	\$ 4,443,722	\$ 4,459,218	\$ 5,806,706	\$ 9,139,356
Total production costs	5,292,745	5,937,467	7,888,364	12,258,681

(1) See "Additional Non-IFRS Financial Measures" on pages 17-18.

Cash costs were \$907 per ounce for the second quarter of FY2021, compared to \$537 for the FY2020 comparative quarter. Production costs were \$1,080 per ounce for the second quarter of FY2021, compared to \$716 per ounce for the FY2020 comparative quarter.

Cash costs were \$732 per ounce for the six-month period ended June 30, 2021, compared to \$607 for the FY2020 comparative period. Production costs were \$995 per ounce for the six-month period ended June 30, 2021, compared to \$814 per ounce for the FY2020 comparative period.

Cash costs were higher for the three and six months ended June 30, 2021, over the FY2020 comparative periods, due to the low production rate, the lower grade ore sourced from the stockpile and as well as the ongoing standby costs during the suspension of the mining operations. As mining operations have now resumed, the Company expects average cash costs to return to being in the range of \$600-\$675 per ounce.

**Other Items**

The Company's general and administrative expenses ("G&A") expenditures were \$934,281 for the second quarter of FY2021, a decrease of 6% from \$994,954 for the FY2020 comparative quarter.

The Company's general and administrative expenses ("G&A") expenditures were \$1,844,256 for the six-month period ended June 30, 2021, compared to \$1,834,930 for the FY2020 comparative period.

The significant variances for the six months ended June 30, 2021 and 2020 are as follows:

Financial advisory expenditures for the six-month period ended June 30, 2021, were \$73,453 (FY2020 - \$455,247). The decrease in financial advisory fees for the current period is due to the Company pausing its efforts as it evaluates current corporate financing opportunities. The Company expects financial advisory expenditures to increase in the fourth quarter as the Company resumes its efforts.

Research and development expenditures for the six-month period ended June 30, 2021, were \$441,649 (FY2020 - \$Nil). These costs are related to the Company's initiative in developing and implementing new technologies in its mining operations, with the expectation of improving its recovery rates, and efficiencies and environmental impact in its processing and mining activities.

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

The details of the changes in the consolidated G&A for the three months and six months ended June 30, 2021 and 2020 are as follows:

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Consulting and management fees	\$ 151,858	\$ 170,570	\$ 298,578	\$ 322,602
Financial advisory	55,237	235,708	73,453	455,247
Depreciation	25,502	24,149	63,628	17,082
Office and general	155,279	223,116	278,748	326,975
Professional fees	38,085	56,616	46,068	60,196
Research and development	186,209	-	441,649	-
Salaries	193,063	189,344	402,725	459,603
Shareholder communications	10,512	7,448	23,953	20,822
Travel	118,536	88,003	215,454	172,403
<b>Total</b>	<b>\$ 934,281</b>	<b>\$ 994,954</b>	<b>\$ 1,844,256</b>	<b>\$ 1,834,930</b>

The details of the changes in the consolidated finance expense for the three months and six months ended June 30, 2021 and 2020 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interest expenses and finances charges for	\$ 151,079	\$ 153,254	\$ 223,375	\$ 342,574
Interest expense for leases	115	707	796	1,437
Interest expense for other long-term liabilities	18,143	(131)	36,085	17,591
Accretion of asset retirement obligation	27,753	33,018	55,198	66,534
<b>Total</b>	<b>\$ 197,090</b>	<b>\$ 186,848</b>	<b>\$ 315,454</b>	<b>\$ 428,136</b>

**SUMMARY OF QUARTERLY RESULTS**

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

	June 31, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net revenues	\$8,975,339	\$5,770,486	\$14,962,881	\$13,919,283
Net income	\$1,315,785	\$4,706,643	\$3,789,196	\$4,726,768
Income per share	0.00	0.01	\$0.01	\$0.00
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Net revenues	\$13,169,364	\$10,311,908	7,941,403	\$7,119,195
Net income (loss)	\$4,392,775	\$2,153,562	\$(1,330,157)	\$1,756,827
Income per share	\$0.00	\$0.00	(0.00)	0.00

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

Significant variations in the net income between quarters are primarily due to the volatility of gold prices and variances in gold sales, production costs, G&A expenses. During the quarter ended March 31, 2021, the Company had a tax recovery of \$2,822,027 (RMB 18,355,875) related to a retrospective change its corporate tax rate beginning in FY2020 to a rate of 15% from 25%.

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

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**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 June 30, 2021, the Company had cash of \$35,277,188 (December 31, 2020 - \$33,774,231).

The Company had working capital of \$7,191,577 at June 30, 2021, improving from a working capital of \$6,779,255 at December 31, 2020, of which the key components included:

- *Cash* - was \$35.3 million; down \$1.5 million from the end of fiscal 2020;
- *Deposits and prepaid expenses* - was \$1.3 million, up \$0.9 million from the end of fiscal 2020;
- *Inventories* - was \$4.0 million, down \$0.4 million from the end of fiscal 2020;
- *Accounts payable and accrued liabilities* – was \$21.6 million, down \$1.7 million from the end of fiscal 2020;
- *Income tax payable* – was \$2.4 million, down \$1.4 million from the end of fiscal 2020;
- *Loans payable* - was \$9.3 million, up \$4.7 million from the end of fiscal 2020.

Majestic began fiscal 2021, with \$33,774,231 in cash. During the six months ended June 30, 2021, the Company generated \$1,206,187 from the Company's operating activities, net of working capital changes, expended \$4,650,272 on investing activities, and generated \$4,548,553 from the Company's financing activities and had a foreign exchange loss of \$1,502,957, to end at June 30, 2021 with \$35,277,188 in cash.

Management considers its operating cash flows to be sufficient for the next twelve months in meeting its planned development, operational activities, and its current outstanding debts. The Company has been achieving consistent profits from its operations and with operations now approved to resume following the successful completion of the cautionary safety inspections, the Company's anticipates gold production, gold revenues and profits will to continue to grow from its FY2020 levels. The Company expects growth through increased production under the expanded mining permit and higher head grades being achieved in the open pit.

**CAPITAL RESOURCES**

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**

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Authorized: an unlimited number of common shares without par value.	Common shares issued and outstanding
Outstanding at June 30, 2021	1,047,726,381
Common shares purchased and cancelled pursuant to the NCIB	(500,000)
Outstanding at the date of this MD&A	1,047,226,381

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**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Six Months Ended June 30, 2021**

**TRANSACTIONS WITH RELATED PARTIES**

**Related party transactions**

The Company incurred the following related party transactions during the three months and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Consulting fees charged by companies controlled by directors and officers of the Company - include key management personnel compensation	\$ 153,024	\$ 182,139	\$ 302,434	\$ 291,961

**Compensation of key management personnel**

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Short-term employee benefits—management fees	\$ 51,307	\$ 73,359	\$ 101,052	\$ 118,029
Director fees	3,664	13,519	7,218	28,408
	\$ 54,971	\$ 86,878	\$ 108,270	\$ 146,437

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 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET APPLIED**

A number of new standards, amendments to standards and interpretations are issued but not yet applied as of June 30, 2021, in preparing these consolidated financial statements.

**IAS 16 Property, Plant and Equipment**

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable.

**IAS 1, Presentation of Financial Statements**

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

**Majestic Gold Corp.  
Management's Discussion and Analysis  
For The Six Months Ended June 30, 2021**

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**COMMITMENT AND CONTINGENCIES**

Commitments and contingencies include principal and interest payments of Company's bank loans, expenditure commitments on its mineral properties, future aggregate minimum operating lease payments required under the operating leases and financial guarantees as described in the Notes 12, 13 and 20 to the Financial Report.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company from time to time enters into various off-balance sheet arrangements in the ordinary course of business. The arrangements are entered into by Yantai Zhongjia Mining Inc. and comprise of providing financial guarantees in its ordinary course of business. For additional information on these arrangements, refer to Note 13 of the Financial Report.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial instruments**

Financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. Equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The Company classifies its cash, receivables, restricted cash and reclamation deposits at amortized cost.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

*Impairment of financial assets*

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, but not exceeding what the amortized cost would have been had the impairment not been recognized.

*Financial liabilities*

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company classifies its accounts payable, loans payable, security for financial guarantee and other long-term liabilities at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

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that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

*Fair value*

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks. The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data unobservable inputs).

**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 and reclamation deposits 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. The Company's accounts payable and accrued liabilities are generally due on demand. The maturity of the Company's loans are disclosed in Note 12 of the Financial Report.

**Industry Risk**

The Company is a mining company with a property and mining operations 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.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

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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 and reclamation deposits 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 June 30, 2021.

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.

**DIRECTORS**

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

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

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

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

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of independent directors.

**RISKS AND UNCERTAINTIES**

Risks and uncertainties information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's annual MD&A for the year ended December 31, 2020.



**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

**ADDITIONAL NON-IFRS FINANCIAL MEASURES**

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

"Adjusted EBITDA" represents earnings before interest (including non-cash accretion of financial obligations), income taxes and depreciation and depletion ("EBITDA"), adjusted to exclude impairment charges, allowance for doubtful accounts, gains or losses on asset dispositions, share-based compensation, gains/losses on financial instruments and foreign exchange gains/losses.

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

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

The following table provides a reconciliation of adjusted EBITDA to the consolidated financial statements for the three months and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Net Income</b>	\$ 1,315,785	\$ 4,392,775	\$ 6,022,428	\$ 6,546,337
Depreciation and depletion	874,525	1,502,398	2,145,286	3,136,407
Exploration and evaluation expenditures	2,780	-	102,094	-
Finance expense, net of finance income	171,123	158,092	210,843	(158,478)
Foreign exchange loss (income)	(128,337)	(11,747)	(130,081)	2,824
Other expenses	847,525	(17,211)	851,061	273,191
Loss on sale of assets	150,534	-	150,534	-
Write-down of E&E assets	70,200	-	70,200	-
Income tax expense (recovery)	318,703	1,715,034	(2,263,874)	2,723,787
<b>Adjusted EBITDA</b>	<b>\$ 3,622,838</b>	<b>\$ 7,739,341</b>	<b>\$ 7,158,491</b>	<b>\$ 12,524,068</b>

The following table provides details of the primary components of adjusted EBITDA:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 8,975,339	\$ 13,169,364	\$ 14,745,825	\$ 23,481,272
Cost of sales, net of depreciation and G&A, net of depreciation	(4,443,722)	(4,459,218)	(5,806,706)	(9,139,356)
<b>Adjusted EBITDA</b>	<b>\$ 3,622,838</b>	<b>\$ 7,739,341</b>	<b>\$ 7,158,491</b>	<b>\$ 12,524,068</b>

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

The following tables provide reconciliation to the consolidated financial statements of total cash costs per ounce, and total production costs per ounce as disclosed in this MD&A to the consolidated financial statements for the three months and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Gold sold (ozs)</b>	4,900	8,298	7,930	15,053
<b>Total cash costs per ounce</b>				
Mining and Milling fees	\$ 1,891,912	\$ 3,992,829	\$ 4,720,611	\$ 7,368,418
Smelting costs	60,702	217,905	186,723	384,689
Resource taxes	320,766	466,172	527,001	831,195
Other direct costs	2,575	234,363	9,326	297,522
Changes in ending gold concentrate inventory	2,167,767	(452,051)	363,045	257,532
<b>Total cash costs</b>	<b>\$ 4,443,722</b>	<b>\$ 4,459,218</b>	<b>\$ 5,806,706</b>	<b>\$ 9,139,356</b>
Per ounce sold	\$ 907	\$ 537	\$ 732	\$ 607
<b>Total production costs per ounce</b>				
Total cash costs	\$ 4,443,722	\$ 4,459,218	\$ 5,806,706	\$ 9,139,356
Depreciation and depletion	849,023	1,478,249	2,081,658	3,119,325
<b>Total production costs</b>	<b>\$ 5,292,745</b>	<b>\$ 5,937,467</b>	<b>\$ 7,888,364</b>	<b>\$ 12,258,681</b>
Per ounce sold	\$ 1,080	\$ 716	\$ 995	\$ 814
<b>All-in sustaining costs per ounce</b>				
Total cash costs	\$ 4,443,722	\$ 4,459,218	\$ 5,806,706	\$ 9,139,356
G&A, net of depreciation	908,779	970,805	1,780,628	1,817,848
Sustaining capital expenditures <sup>(1)</sup>	347	133,751	62,163	135,584
<b>All-in sustaining costs</b>	<b>\$ 5,352,848</b>	<b>\$ 5,563,774</b>	<b>\$ 7,649,497</b>	<b>\$ 11,092,788</b>
<b>Per ounce sold</b>	<b>\$ 1,092</b>	<b>\$ 670</b>	<b>\$ 965</b>	<b>\$ 737</b>

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

The following table reconciles sustaining capital expenditures to the Company's total additions as reported in the consolidated statements of cash flows for the three months and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Additions to property, plant and equipment</b>				
Songjiagou Gold Mine and Underground Mine	\$ 837,391	\$ 14,570,508	\$ 4,143,027	\$ 14,864,084
Sustaining capital	\$ 347	\$ 133,751	62,163	135,584
	<b>\$ 837,738</b>	<b>\$ 14,704,259</b>	<b>\$ 4,205,190</b>	<b>\$ 14,999,668</b>

**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

**Majestic Gold Corp.**  
**Management's Discussion and Analysis**  
**For The Six Months Ended June 30, 2021**

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values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labor 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 December 31, 2020, filed with the applicable securities regulatory authorities and available at SEDAR [www.sedar.com](http://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.