

Majestic Gold Corp.

Condensed Consolidated Interim Financial Statements For the Three and Six Months Ended March 31 2012

(Unaudited – Presented in US dollars)

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Majestic Gold Corp.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in US dollars – unaudited)

	March 31 2012 - \$ -	September 30 2011 - \$ -	October 1 2010 - \$ -
ASSETS			
Current assets			
Cash and cash equivalents	4,718,003	13,536,170	1,740,436
Accounts receivable (Note 4)	-	-	999,590
Other receivables	197,442	275,531	67,687
Prepaid expenses and advances	421,923	146,080	172,523
Inventory (Note 5)	3,662,325	2,590,498	217,646
Investments (Note 6)	177,260	144,912	213,926
	9,176,953	16,693,191	3,411,808
Property, plant and equipment (Note 7)	24,414,788	11,927,196	2,137,756
Mineral properties and deferred exploration costs (Note 8)	19,759,865	20,024,088	19,484,868
	53,351,606	48,644,475	25,034,432
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5,160,948	4,085,832	1,532,600
Loans payable (Note 10)	5,159,952	1,458,162	2,151,584
Due to related parties (Note 14)	40,803	172,583	375,346
	10,361,703	5,716,577	4,059,530
Asset retirement obligations (Note 9)	446,110	430,669	-
Future income tax liability	2,819,544	2,714,093	2,640,631
	13,627,357	8,861,339	6,700,161
NON-CONTROLLING INTEREST (Note 20)	437,237	271,352	327,756
SHAREHOLDERS' EQUITY			
Share capital (Note 11)	67,180,795	56,980,226	39,757,024
Convertible loan (Note 12)	-	9,626,000	-
Reserves (Note 13)	9,606,940	9,606,940	4,036,194
Accumulated other comprehensive income	422,520	285,486	210,024
Deficit	(37,923,243)	(36,986,868)	(25,996,727)
	39,287,012	39,511,784	18,006,515
	53,351,606	48,644,475	25,034,432

Nature of business and going concern (Note 1)
Commitments (Notes 8, 9, 10 and 21)
Subsequent events (Note 22)

Approved by the Directors:

"Rudy Brauer"

"Gurm Sangha"

- See accompanying notes -

Majestic Gold Corp.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income For the three and six months ended March 31, 2012 and 2011

(Expressed in US dollars – unaudited)

	3 months ended Mar 31,		6 months ended Mar 31,	
	2012	2011	2012	2011
	- \$ -	- \$ -	- \$ -	- \$ -
OPERATIONS				
Gold revenue	5,838,648	1,235,254	12,575,687	3,117,191
Operating costs	3,173,918	897,435	6,481,059	2,187,148
Gross Profit	2,664,730	337,819	6,094,628	930,043
Operations administration	173,413	107,639	546,178	401,544
Other items				
Interest Income	(831)	-	(2,085)	-
Loan Interest Expenses	(9,163)	-	20,612	81,502
Earnings before tax and non-cash items	2,501,311	230,180	5,529,923	446,997
Amortization, accretion, foreign exchange	502,503	414,912	1,364,232	584,596
Earnings before tax	1,998,808	(184,732)	4,165,691	(137,599)
Taxes	581,170	68,014	963,748	194,468
Net profit (loss)	1,417,638	(252,747)	3,201,943	(332,067)
Distribution of Net Profit (Note 8)	387,840	51,011	941,754	209,579
Operating profit (loss)	1,029,798	(303,758)	2,260,189	(541,646)
ADMINISTRATION				
General and administrative (Note 18)	1,697,019	1,053,359	3,038,828	2,234,110
Depreciation	330	205	3,586	2,636
	1,697,349	1,053,564	3,042,414	2,236,746
Income (loss) before non-controlling interest	(667,551)	(1,357,322)	(782,225)	(2,778,392)
Non-controlling interest (Note 20)	63,656	8,802	154,151	19,105
Net income (loss)	(731,207)	(1,366,123)	(936,376)	(2,797,497)
Other comprehensive income (loss)	48,052	104,814	137,034	57,704
Comprehensive income (loss)	(683,155)	(1,261,309)	(799,342)	(2,739,793)
Basic and diluted earnings per share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average common shares outstanding	617,265,216	497,337,420	608,779,444	466,679,175

- See accompanying notes -

Majestic Gold Corp.
Condensed Consolidated Interim Statements of Cash Flows
For the three and six months ended March 31, 2012 and 2011
(Expressed in US dollars – unaudited)

	3 months ended March 31,		6 months ended March 31,	
	2012	2011	2012	2011
	- \$ -	- \$ -	- \$ -	- \$ -
Cash from (used in):				
Operating activities				
Net income (loss) from continuing operations	(731,207)	(1,366,123)	(936,376)	(2,797,497)
Items not involving cash:				
Acrued loan interest	29,562	85,817	29,743	85,817
Amortization, accretion, foreign exchange	502,833	415,117	1,367,818	587,232
Non-controlling interest	63,656	8,802	154,151	19,105
Change in non-cash working capital				
Accounts receivable	-	(6,005)	-	159,153
Other receivables	127,882	(91,392)	78,089	(90,600)
Prepaid expenses and advances	(79,207)	(13,774)	(275,843)	(328)
Inventory	(178,304)	-	(1,071,827)	217,646
Accounts payable and accrued liabilities	(46,076)	156,903	1,075,116	506,523
Loan payable	1,741,797	-	3,701,790	(2,151,584)
Due to related parties	(18,277)	(32,113)	(131,780)	(303,043)
Net cash from (used in) operating activities	1,412,659	(842,768)	3,990,881	(3,767,576)
Investing activities				
Expenditures on property, plant & equipment	(4,256,884)	(2,717,308)	(12,565,784)	(5,958,984)
Expenditures on mineral properties	(50,405)	(149,656)	(243,264)	(372,085)
Cash provided by (used in) investing activities	(4,307,289)	(2,866,964)	(12,809,048)	(6,331,069)
Financing activities				
Share capital issued for cash, net of costs	-	414,000	-	10,010,014
Cash provided by (used in) financing activities	-	414,000	-	10,010,014
Increase in cash from continuing operations	(2,894,630)	(3,295,732)	(8,818,167)	(88,631)
Cash, beginning	7,612,633	4,947,537	13,536,170	1,740,436
Cash, ending	4,718,003	1,651,805	4,718,003	1,651,805

Supplemental cash flow information (Note 17)

- See accompanying notes -

Majestic Gold Corp.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended March 31, 2012 and 2011

(Expressed in US dollars – unaudited)

	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Share subscriptions received	Reserves	Accumulated other comprehensive income	Deficit	Total		
Balance, Oct. 1, 2010	39,757,024	-	4,036,194	210,024	(25,996,727)	18,006,515	327,756	18,334,271
Warrants exercised	10,005,606	-	-	-	-	10,005,606	-	10,005,606
Stock options exercised	42,227	-	-	-	-	42,227	-	42,227
Share subscriptions received	-	922,432	-	-	-	922,432	-	922,432
Net income for period	-	-	-	-	(2,797,497)	(2,797,497)	-	(2,797,497)
Other comprehensive income	-	-	-	57,704	-	57,704	-	57,704
Non-controlling interest	-	-	-	-	-	-	19,105	19,105
Balance, Mar. 31, 2011	49,804,856	922,432	4,036,194	267,728	(28,794,224)	26,236,987	346,861	26,583,848
	Attributable to owners of the parent							
	Share capital	Convertible loan	Reserves	Accumulated other comprehensive income	Deficit	Total	Non-controlling interest	Total equity
Balance, Sep. 30, 2011	56,980,226	9,626,000	9,606,940	285,486	(36,986,868)	39,511,784	271,352	39,783,136
Settlement of convertible loan	10,200,569	(9,626,000)	-	-	-	574,569	-	574,569
Net income for period	-	-	-	-	(936,375)	(936,375)	-	(936,375)
Other comprehensive income	-	-	-	137,034	-	137,034	-	137,034
Non-controlling interest	-	-	-	-	-	-	165,885	165,885
Balance, Mar. 31, 2012	67,180,795	-	9,606,940	422,520	(37,923,243)	39,287,012	437,237	39,724,249

- See accompanying notes -

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

1. Nature of Business and Going Concern

Majestic Gold Corp. (the “Company”) is incorporated under the Business Corporations Act (British Columbia) and its principal business activity is the acquisition, exploration and mining of precious metals. All activity is currently being conducted in China. The Company’s shares trade on the TSX Venture Exchange.

Going Concern

These condensed consolidated interim financial statements are prepared on a going concern basis, which presumes the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The company has working capital (deficit) of (\$1,184,750) at March 31, 2012 (2011 - \$997,394) which management considers to be adequate for its future planned exploration, development, operational activities, and to settle outstanding debts. The Company has completed its mining and production facilities and is now working towards achieving 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 and ultimately upon achieving profitable operations. The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. Basis of Preparation and First-time Adoption of International Financial Reporting Standards

2(i) Basis of Preparation and First-time Adoption of International Financial Reporting Standards

These condensed consolidated interim financial statements are the Company’s first financial statements that have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) and IFRS 1 ‘First-time adoption of IFRS’. The disclosures concerning the transition from Canadian GAAP to IFRS are provided in Note 23.

The Company’s first annual consolidated financial statements under IFRS will be presented for the year ended September 30, 2012. The accounting policies adopted in these unaudited condensed consolidated interim financial statements are consistent with the accounting policies the Company expects to adopt in its IFRS consolidated financial statements for the year ended September 30, 2012, and are based on IFRS as issued by the IASB that the Company expects to be applicable at that time.

The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved these statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ended September 30, 2011 may result in restatement of these financial statements, including the transition adjustment recognized on change-over to IFRS.

The Company previously prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS requiring publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on the basis of IFRS in these condensed consolidated interim financial statements, for which the term Canadian GAAP refers to Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) before the adoption of IFRS.

The condensed consolidated interim financial statements do not contain all the information required for annual financial statements and accordingly, should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended September 30, 2011.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

2(ii) Critical Accounting Estimates, Judgments and Assumptions

The preparation of these financial statements in conformity with IAS 34 and IFRS 1 requires estimates and assumptions that affect the amounts reported in these financial statements. These estimates and assumptions concerning the future will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and a mineral resource based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, restoration provisions, recognition of deferred tax assets, and depreciation and amortization charges.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available.

Inventory

The ultimate recovery of gold from ore stockpile will not be known until the leaching process is completed. The allocation of costs to ore stockpile and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable reserves estimates, gold prices, and the ultimate estimated recovery. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventory.

Provision for reclamation and remediation obligations (asset retirement obligations)

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision for asset retirement obligations represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Deferred income taxes and valuation allowances

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

2(iii) Summary of Significant IFRS Accounting Policies

a) Basis of Consolidation

These financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated upon consolidation.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets.

b) Foreign Currencies

The Company's condensed consolidated interim financial statements are presented in US dollars. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Foreign currency transactions for the Company's subsidiaries are translated into the functional currency using the exchange rate at the dates of the transactions or the average rates prevailing the transaction periods. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations and comprehensive income.

The Company's foreign operations are translated from their local currencies into US dollars on consolidation. Revenue, expenses, gains and losses are translated using an average exchange rate for the period. Monetary assets and liabilities on the balance sheet are translated at the closing rate in effect at the end of these periods. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the historical rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The exchange differences on translation of the net assets of these operations are recognized in profit or loss as foreign exchange gains or losses.

c) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimation of asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortization begins when the asset is substantially put into service.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Mineral properties in production are amortized on a unit-of-production basis over the economically recoverable reserves of the estimated life of mine. Gold processing plant is amortized on a unit-of-production basis over the total tonnages of mill feed over the estimated life of mine. Amortization of various components of the gold processing plant, heavy machinery and equipment, office furniture and equipment and other capital assets is calculated on a straight-line basis over the assets' estimated useful lives at annual rates from 5% to 33%. Amortization of leasehold improvements is calculated on a straight-line basis over the term of the lease.

Amortization expenses from production property and plant are inventoried. Amortization from equipment used in exploration and development of mineral property interests are capitalized under mineral properties in development. Amortization from administration capital assets are charged against operations. Equipment used in exploration and development of mineral property interests is amortized, but the amortization charge is deferred with other mineral property interests, exploration and development expenditures. Amortization of equipment not specifically related to the Company's exploration and development activities is included in the consolidated statements of operations and deficit.

An item of property, plant and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property, plant and equipment items and changes arising from the assessment are applied by the Company prospectively.

d) Mineral Properties and Deferred Exploration Costs

Mineral properties and deferred exploration costs represent capitalized expenditures related to the acquisition, exploration and development of mineral properties and related equipment. Mineral property interest acquisition costs include the cash consideration, the fair value of common shares issued for mineral property interests and the fair value of warrants issued determined using the Black-Scholes option pricing model.

The company acquires mineral property interests and conducts exploration activities directly or through corporate joint ventures. The underlying purpose of the corporate entities is to hold title in China and facilitate funding for expenditures. The Company accounts for its interests in these entities as direct investments in mineral properties and deferred exploration cost based on expenditures incurred. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to complex title laws, unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Mineral properties and deferred exploration costs include the costs of acquiring exploration and mining concessions, licenses, options and contracts, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. However, once the legal right to explore has been acquired, the Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, abandoned or when impairment in value is determined to have occurred.

Proceeds received from the sale or farm-out of any interest in a property will be credited against the carrying value of the property, with any excess over carrying value included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

All capitalized costs are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. Mineral property interests are reviewed for impairment at the end of each reporting period or when otherwise appropriate or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

Impairment considerations are also based upon current exploration results and upon management's assessment of project funding availability and the future probability of profitable operations from the property or sale of the property. Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values. The recorded costs are subject to measurement uncertainty and changes in future conditions could require a material change in the carrying amount.

e) Impairment of Long-Lived Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The Company monitors the recoverability of long-lived assets, including property, plant and equipment, based on factors such as current market value, future asset utilization, business climate and future discounted cash flows expected to result from the use of the related assets. The impairment loss is recorded in the period when it is determined that the carrying amount of the asset may not be recoverable. The amount of impairment loss is measured as the excess of the carrying value of the asset over its fair value less costs to sell, or the discounted present value of the future cash flows associated with the use of the asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase and is recognized through other comprehensive income.

f) Asset Retirement Obligations

Asset retirement obligations ("ARO") are recognized for expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred or when a reasonable estimate of the fair value of the liability can be made. The corresponding asset retirement cost would be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. Changes in inflation rates, long term interest rates and the life of the mine can affect the estimate of ARO's. Such estimates can be significantly impacted by long term commodity prices. Actual cost incurred in ARO's could therefore materially vary from estimates.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. The discounted liability is increased for the passage of time and adjusted for changes to the current discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing investments with terms to maturity at the date of purchase of three months or less.

h) Inventory

Inventory consists of gold concentrate and ore stockpile. Gold concentrate and ore stockpiles are physically measured or estimated and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Separately identifiable costs of conversion are specifically allocated.

i) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, investments, accounts payable, loans payable and due to related parties. Cash and cash equivalents are measured at face value, representing fair value, and classified as held-for-trading. Accounts receivable and other receivables, which are measured at amortized cost, are classified as loans and receivables. Investments, which are measured at fair value, are classified as available-for-sale. Accounts payable, loans payable and due to related parties are measured at amortized cost and classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. The Company has determined that it does not have derivatives or embedded derivatives.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data. Generally such inputs are derived from management.

Financial instruments classified as level 1 include cash, cash equivalents and investments.

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that enhance the disclosure requirements in relation to transferred financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. The amendments are effective for annual periods beginning on or after July 1, 2011 with earlier application permitted. The Company has noted no significant or material impact on its consolidated financial statements.

j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Taxes on income in interim periods are recorded using the tax rate that would be applicable to expected annual profit. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period.

Income taxes are accounted for using the asset and liability method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled. The Company establishes a valuation allowance against future income tax assets if, based on available information, the probability of a realization of a future income tax asset is not considered more likely than not.

Deferred income assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. The Company recognizes neither the deferred tax asset, regarding the temporary differences on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit. Deferred income tax assets and liabilities are presented as non-current.

k) Share-based Payments

The Company accounts for share-based payments using the fair value method of accounting. The fair value at the date of the grant is determined using the Black-Scholes option pricing model. Such share-based payments are charged to the related operating expense or mineral property over the vesting period, with an offsetting credit to reserves. If and when stock options are exercised, the applicable amounts previously recorded in reserves are credited to share capital.

l) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

m) Loss Per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year. The Company computes the dilutive effect of options, warrants and similar instruments using the treasury stock method. The treasury stock method assumes that proceeds received from in-the-money stock options and other dilutive instruments are used to repurchase common shares at the prevailing market rate. Diluted loss per share figures are equal to those of basic loss per share for each year presented since the effects of the stock options and share purchase warrants have been excluded as they are anti-dilutive.

n) Revenue Recognition

Revenue from gold sales is recognized as revenue when there is evidence of a sale arrangement, amounts are determinable, collection is reasonably assured and title to the gold has transferred.

o) Comprehensive Income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income includes certain gains or losses recognized in a period, otherwise excluded from net income for that period.

p) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

q) Standards Issued But Not Yet Effective

Income Taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income Taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012 with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Consolidation

In May 2011, the IASB issued IFRS 10 - Consolidated Financial Statements (“IFRS 10”), which supersedes SIC 12 and the requirements relating to consolidated financial statements in IAS 27 - Consolidated and Separate Financial Statements. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; and defines control as an investor’s power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor’s returns through its power over the investee.

In addition, the IASB issued IFRS 12 - Disclosure of Interests in Other Entities (“IFRS 12”) which combines and enhances the disclosure requirements for the Company’s subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting of the nature of risks associated with the Company’s interests in other entities and the effects of those interests on the Company’s consolidated financial statements.

Concurrently with the issuance of IFRS 10, IAS 27 and IAS 28 - Investments in Associates (“IAS 28”) were revised and reissued as IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures to align with the new consolidation guidance. The Company is currently evaluating the impact that the above standards are expected to have on its consolidated financial statements.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Joint Arrangements

In May 2011, the IASB issued IFRS 11 - Joint Arrangements (“IFRS 11”), which supersedes IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (“joint operators”) have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (“joint venturers”) have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venture recognizes its investment in a joint arrangement using the equity method. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Fair Value Measurement

In May 2011, as a result of the convergence project undertaken by the IASB and the US Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 - Fair Value Measurement (“IFRS 13”). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company does not anticipate the application of IFRS 13 to have a material impact on its consolidated financial statements.

Financial Statement Presentation

In June 2011, the IASB issued amendments to IAS 1 - Presentation of Financial Statements (“IAS 1”) that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 - Employee Benefits (“IAS 19”) that introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments include elimination of the options to defer, or recognize in full in earnings, actuarial gains and losses and instead mandates the immediate recognition of all actuarial gains and losses in other comprehensive income and requires use of the same discount rate for both the defined benefit obligation and expected asset return when calculating interest cost. Other changes include modification of the accounting for termination benefits and classification of other employee benefits. The Company does not anticipate the application of the amended IAS 19 to have a material impact on its consolidated financial statements.

Financial Instruments

The IASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”) in its entirety with IFRS 9 - Financial Instruments (“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. On August 4, 2011, the IASB published for comments an exposure draft proposing to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 (with earlier application permitted) to annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The Company is evaluating the impact the final standard is expected to have on its consolidated financial statements.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

3. Financial and Capital Risk Management

The Company's significant risk exposure and the impact on the Company's financial instruments are assessed and summarized below:

(a) 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 cash is held with Canadian and Chinese financial institutions giving rise to a concentration of credit risk. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Bank accounts – China	2,871,862	3,103,910	1,737,198
Bank accounts – Canada	1,846,141	10,432,260	3,238
	4,718,003	13,536,170	1,740,436

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.

(b) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets at any point in time. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities. At March 31, 2012, the Company had accounts payable and accrued liabilities of \$5,160,948, loan payable of \$5,159,952 and amounts due to related parties of \$40,803. The Company believes it has sufficient cash on hand to meet its obligations for the next 12 months.

(c) Industry Risk

The Company is a mining and exploration company with properties and mining operations currently focused in China. Its mining activities involve numerous inherent risks. The Company is subject to various financial, equities markets, operational and political risks that could significantly affect its operations and cash flows. These risks include changes in local laws affecting the mining industry, a decline in the price of commodities, uncertainties inherent in estimating mineral resources and fluctuations in the foreign currencies ("CNY" or ¥) 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.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

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

The Company's properties are located in areas that can experience severe winter weather conditions which could adversely affect mining and exploration programs. In addition, the Company is subject to changes in environmental laws and regulations that may result in unexpected costs.

(d) 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 loan payable accrues interest at a fixed rate. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of March 31, 2012.

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 US dollar (primarily CNY). The Company does not manage currency risks through hedging or other currency based derivatives.

The US dollar equivalent of financial instruments denominated in CNY is as follows:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Cash and cash equivalents	2,871,862	3,103,910	1,737,198
Other receivables	37,844	37,170	999,590
Accounts payable	(4,527,681)	(3,706,734)	(1,132,694)
Loan payable	(5,159,952)	(1,458,162)	-
	(6,777,927)	(2,023,816)	1,604,094

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the US dollar against CNY would result in an decrease of \$677,793 (Sep. 30, 2011 - \$202,382) in the Company's loss.

As at March 31, 2012, the Company has no contracts or agreements in place to mitigate the currency risk.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

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 ARO.

As at March 31, 2012, the Company has no contracts or agreements in place to mitigate this price risk.

4. Accounts receivable

Accounts receivable consists of the following:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Sale of mineral property (Note 8)	-	-	821,991
Gold sales	-	-	177,599
	-	-	999,590

5. Inventory

Inventory consists of the following:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Gold concentrate	2,702,508	1,141,071	217,646
Ore stockpile	959,817	1,449,427	-
	3,662,325	2,590,498	217,646

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

6. Investments

Investments classified as available-for-sale are reported at fair value (or marked-to-market) based on quoted market prices, with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

Investments consist of 500,000 shares of Bullabulling Gold Limited:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Balance, beginning	144,912	213,926	46,705
Increase (decrease) in fair value	32,348	(69,014)	167,221
Balance, ending	177,260	144,912	213,926

The valuation of the shares has been determined by reference to the closing price of the shares on the London Stock Exchange. At March 31, 2012, the closing price was ~\$0.35 per share (Sep. 30, 2011 - ~\$0.29, Oct. 1, 2010 - ~\$0.43). The cost of this investment was \$38,844 (CAD\$40,000).

7. Property, plant and equipment

	Mar. 31, 2012			Sep. 30, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	-\$-	-\$-	-\$-	-\$-	-\$-	-\$-
Processing plant - Muping mine (Note 8)	24,434,746	(264,106)	24,170,640	11,946,757	(186,541)	11,760,215
Office furniture, equipment, vehicles	247,315	(27,582)	219,733	145,989	(38,644)	107,345
Heavy machinery and equipment	49,464	(25,049)	24,415	72,994	(13,358)	59,636
	24,731,524	(316,737)	24,414,788	12,165,740	(238,544)	11,927,196

	Sep. 30, 2011			Oct. 1, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	-\$-	-\$-	-\$-	-\$-	-\$-	-\$-
Processing plant - Muping mine (Note 8)	11,946,757	(186,541)	11,760,215	2,054,384	-	2,054,384
Office furniture, equipment, vehicles	145,989	(38,644)	107,345	47,314	(13,110)	34,204
Heavy machinery and equipment	72,994	(13,358)	59,636	49,463	(295)	49,168
	12,165,740	(238,544)	11,927,196	2,151,161	(13,405)	2,137,756

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

8. Mineral properties and deferred exploration costs

	Oct. 1, 2010	Addition	Write-down / Depletion	Sep. 30, 2011	Addition	Write-down / Depletion	Mar. 31, 2012
	-\$-	-\$-	-\$-	-\$-	-\$-	-\$-	-\$-
Muping, China:							
Investigations	5,970	-	-	5,970	-	-	5,970
Acquisition	11,356,421	-	-	11,356,421	-	-	11,356,421
Assays and analysis	912,754	-	-	912,754	-	-	912,754
Exploration work	1,168,897	74,152	-	1,243,049	-	-	1,243,049
Drilling	1,969,806	217,540	-	2,187,346	-	-	2,187,346
Geological and geochemical	2,234,488	380,410	-	2,614,898	-	-	2,614,898
Logistics and support	594,113	-	-	594,113	-	-	594,113
Capital equipment	1,256,871	-	-	1,256,871	-	-	1,256,871
Depletion	(28,665)	-	(84,501)	(113,166)	-	(71,778)	(184,944)
Recovery of production costs	-	-	(439,365)	(439,365)	-	(192,445)	(631,810)
Asset retirement obligation	-	390,985	-	390,985	-	-	390,985
Future income taxes	14,210	-	-	14,210	-	-	14,210
	19,484,866	1,063,087	(523,866)	20,024,086	-	(264,223)	19,759,863
Shandong, China:							
Investigations	-	-	-	-	-	-	-
Acquisition	1	-	-	1	-	-	1
Exploration work	-	-	-	-	-	-	-
Geological and geochemical	-	-	-	-	-	-	-
Logistics and support	-	-	-	-	-	-	-
Future income taxes	-	-	-	-	-	-	-
	1	-	-	1	-	-	1
Jingang, China:							
Assays and analysis	1	-	-	1	-	-	1
Exploration work	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-
Geological and geochemical	-	-	-	-	-	-	-
Logistics and support	-	-	-	-	-	-	-
	1	-	-	1	-	-	1
	19,484,868	1,063,087	(523,866)	20,024,088	-	(264,223)	19,759,865

Sawayaerdun, China

Pursuant to a joint venture agreement entered into during the year ended September 30, 2004 with a party in China and the completion of the required minimum cumulative exploration expenditures, the Company acquired a 90% interest in the Sawayaerdun Project in the Xinjiang Province, China.

On April 19, 2009, the Company entered into an agreement (the "Agreement") to sell their interest to the Chinese Co-Venturer (the "Purchaser") for CNY 45,500,000 (\$6,662,469) (the "Purchase Price"). The Company's share of the proceeds was CNY 40,950,000 (\$5,996,222). During the year ended September 30, 2009, the Company recognized a loss of \$3,967,939 on the sale of this property.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

8. Mineral properties and deferred exploration costs (continued)

Sawayaerdun, China (continued)

On September 8, 2009, upon the approval of the transaction by the China Xinjiang Bureau of Geology and Mineral Resources (the "Bureau"), the Company received the first installment of the Purchase Price, CNY 25,000,000 (\$3,811,583). On July 30, 2010, after the Bureau received all documents required to facilitate the transfer of the exploration and mining permits, the Company received the second installment of the Purchase Price, CNY 15,000,000 (\$2,286,950). The Agreement provides for the remainder of the Purchase Price, CNY 5,500,000 (\$821,991) (Note 4), to be received within 10 business days after the exploration and mining permits are transferred and registration of the joint venture company with the Industry and Commerce and Tax Bureau is cancelled, which the Company expects to take place in the next financial year. At September 30, 2011, due to uncertainty of collection, a provision for the collectability of \$821,991 from the sale of the mineral property was recorded. Any future recovery from this sale will be recorded as income at the date of receipt (Note 4).

Muping, China

In May 2004, the Company, through its 94% owned subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai"), acquired an interest in thirteen exploration licenses located in the Chinese province of Shandong (the "Muping Mineral Property"). The Company acquired these licenses as part of a Co-operation Contract with Shandong Yantai Muping Gold Mine, China. This agreement provided an option to acquire a 60% interest in Yantai Zhongjia Mining Inc. ("JVCo"), a Chinese Co-operation Company that was established to hold the rights to the Muping Mineral Property. In order to secure its rights and interest in the Co-operative company, Majestic Yantai was required to contribute a minimum of CNY 35,000,000 in exploration costs by March 2009 (completed). During the years ended September 30, 2008 and 2007, nine of the thirteen exploration licenses were abandoned, leaving four exploration licenses that now comprise the Muping, China project.

The costs capitalized to the Muping Mineral Property will be allocated to mining assets upon the completion of a bankable feasibility study. To date the Company has completed only a preliminary economic assessment.

During the year ended September 30, 2010 the Company entered into the following Agreements relating to the Muping Mineral Property:

1. On February 11, 2010 the Company entered into an Acquisition Agreement ("Agreement") with Yantai Dahedong Processing Co. Ltd ("Dahedong") to acquire the remaining 40% ("Muping JV Interest") of JVCo. As part of the proposed transaction, JVCo will acquire the Mining Permit required to commence mining operations at Muping and will commence mining operations. Details of the mining operations to be undertaken by Dahedong on behalf of JVCo are outlined below.
2. On September 1, 2010 the Company entered into a Declaration of Trust and Profit Sharing Agreement ("Profit Sharing Agreement") with Dahedong which, among other matters, outlines the basis by which the mining operations and share of profits, as defined in the Agreement, are to be conducted and distributed. The Profit Sharing Agreement was a re-affirmation of essential arrangements as outlined in the original Agreement of February 11, 2010.
3. On September 29, 2010 the Company entered into Addendum No. 1 to the Agreement, details of which are outlined below.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

8. Mineral properties and deferred exploration costs (continued)

Muping, China (continued)

The Muping JV Interest was initially transferred from its holders to Dahedong. The agreement then provides for this interest to be transferred to Majestic Yantai. Upon completion of the Muping JV Interest by Majestic Yantai, the Company's interest in JVCo and the Muping Mineral Property increases from 54% to 94%.

As consideration for the Muping JV Interest, the Company issued 160,000,000 common shares of the Company with a fair value of \$7,700,800 (CAD\$8,000,000). In addition, the Company paid a finder's fee by the issuance of 8,000,000 common shares of the Company with a fair value of \$385,040 (CAD\$400,000).

Majestic entered into the Agreement and the Profit Sharing Agreement to facilitate commencement of mining operations at the Muping Mineral Property. The Agreements provides that Dahedong will carry on mining operations on the property. In addition, Dahedong will process ore mined from the property at facilities owned by it.

The Agreement also provides for construction of a new mill and related facilities (collectively the "New Mill") with an output of at least 5,000 tonnes per day. The cost of acquiring the land for the New Mill will be borne entirely by Dahedong if its capacity does not exceed 5,000 tonnes per day. If Majestic designates a larger capacity mill, the costs of the land will be borne as to 75% by JVCo and 25% by Dahedong. In either event, construction costs will be borne as to 75% by JVCo and 25% by Dahedong.

Under the Agreement, mining operations will be carried out by Dahedong. Dahedong will be responsible for mining, transporting and processing ore and tailings and other waste material from the Property for a period of 30 years (the "Mining Term").

Significant terms of the Agreement are as follows:

1. As compensation for the use of Dahedong's mining assets and equipment during the Mining Term, Dahedong will be entitled to 25% of the net profits ("Net Profits"), as defined in the Agreement, of JVCo derived from mining operations during the Mining Term;
2. 100% of all revenue received by JVCo will accrue to the sole benefit of JVCo;
3. Until the transfer of the Muping JV Interest to Dahedong has received all required Chinese governmental approvals and has been completed, 60% of Net Profits will be distributed to Majestic Yantai and the remaining 40% of Net Profits will be retained by JVCo. As of September 30, 2010, all required Chinese government approvals have been completed.
4. After the transfer of the Muping JV Interest to Dahedong has been completed and before the transfer of the Muping JV Interest to Majestic Yantai is completed, 60% of Net Profits will be distributed to Majestic Yantai, 25% of Net Profits will be distributed to Dahedong to compensate Dahedong for the use of the Mining Assets and the remaining 15% of Net Profits retained by JVCo pending completion of the acquisition of the Muping JV Interest by Majestic Yantai. As of September 30, 2010, the transfer of the Muping JV Interest to Majestic Yantai has been completed.
5. After the transfer of the Muping JV Interest to Majestic Yantai has been completed, and acceptance from the TSX-V has been received, 75% of Net Profits will be distributed to Majestic Yantai and the remaining 25% of Net Profits will be distributed to Dahedong. As of September 30, 2010, acceptance from the TSX-V has been received.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

8. Mineral properties and deferred exploration costs (continued)

Muping, China (continued)

6. To cover Dahedong's operational costs, Dahedong will receive ¥75 per tonne ("Mining Fee") for all mining, transporting and processing services required to produce concentrate suitable for delivery to a refinery or smelter. The Mining Fee will be paid only from revenue from mining operations so that no cost, expense or liability will accrue to or be payable by JVCo with respect to mining operations, and the Mining fee will be paid to Dahedong from revenue before any revenue is distributed to any participant in JVCo. On August 25, 2010, the Mining Fee was revised resulting in Mining Fees ranging between ¥55 and ¥75 per tonne for open pit operations and ¥92.5 and ¥130 for underground operations. The Mining Fees are based on ranges of ore head grade.
7. Dahedong will be primarily responsible for dealings with Chinese governmental authorities and interest groups in carrying out mining operations.

On September 29, 2010, an Addendum No.1 ("Addendum") to the Agreement was signed with effect from February 11, 2010 outlining specific addenda to the original Agreement as follows:

1. Pursuant to the Profit Sharing Agreement made as of September 1, 2010, it was agreed the Company would advance further funds to JVCo by way of capital contributions to fund the expansion of operations including construction of the New Mill thereby increasing the Company's interest in JVCo from 60% to 75% before any transfer of the Muping JV interest by Dahedong;
2. Parts of the original Agreement were deleted and replaced with the following:
 - a. Dahedong will construct one New Mill and related facilities with an output of approximately 6,000 tonnes per day at a budgeted cost of \$48,555,000 (CAD\$50,000,000);
 - b. Dahedong shall complete the procedures for the acquisition and lease of land to be occupied by the New Mill, obtain necessary approvals, complete filing procedures, and coordinate the supply of utilities such as water and electric power for the New Mill;
 - c. Dahedong shall be responsible for 25% of the costs incurred in the construction of the New Mill including permitting, leasing and licensing costs, and JVCo shall be responsible for 75% of construction costs;
 - d. Ownership of the New Mill shall be vested in JVCo;
 - e. Dahedong will be responsible to pay all construction costs in the first instance;
 - f. JVCo will reimburse Dahedong for 100% of JVCo's share of construction costs out of JVCo's share of Net Profits before any Net Profits are paid or distributed by JVCo to the Company;
 - g. JVCo's share of construction costs will be paid only from JVCo's share of Net Profits so that no cost, expense or other liability will accrue to or be payable by JVCo otherwise than out of Net Profits;
 - h. JVCo will pay to Dahedong a financing fee equal to 10% of JVCo's share of construction costs out of JVCo's share of Net Profits after JVCo's share of construction costs have been paid in full and before any Net Profits are paid or distributed by JVCo to the Company;
 - i. Title to the New Mill shall not be transferred to JVCo until JVCo has reimbursed Dahedong for JVCo's share of construction costs out of JVCo's share of Net Profits;
 - j. JVCO shall have the right, but not the obligation, to pay or reimburse Dahedong for all or any portion of JVCo's share of construction costs from other sources of funding which may be available to JVCo from time to time. Such payments would offset the agreed minimum payments from revenues

During the six months ended March 31, 2012, Dahedong's share of Net Profits was \$941,754 (2011 - \$209,579).

The Company is accounting for the New Mill acquisition as a stepped acquisition as the Company's is only liable to make payment from Net Profits. Consequently, the Company recorded the asset to the extent that payments have been made to Dahedong.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

8. Mineral properties and deferred exploration costs (continued)

Shandong, China

The Shandong project consists of exploration licenses acquired by way of a Co-operation Contract with Yantai Jinze Mining and Technology Ltd. Under this agreement, the Company acquired a 90% interest in Yantai Jinze Gold Inc., a Chinese Cooperation Company that was established to hold the exploration rights to certain properties located in the vicinity of Yantai City in the Province of Shandong. In accordance with an amended agreement dated January 20, 2008, the Company was required to contribute \$279,810 (CAD\$300,000) in order to secure its interest (completed).

The Company has three additional active licenses in the Yuhuangding, Baima and Xianiantou areas within the Shandong project.

During the year ended September 30, 2010, the Company determined that this property was impaired and therefore recognized a write-down of \$920,230 (CAD\$957,675).

Jingang, China

In July 2006, the Company entered into a Co-operation Contract with China Shandong No. 3 Mineral and Geological Exploration Institute. The Company has the right to acquire a 70% interest in Yantai Ludi Jingang Gold Mining Inc., a Chinese Co-operation Company established to hold the exploration rights to the Jingang Gold Project in the Shandong Province of China. In order to secure its interest in the co-operation company, the Company is required to contribute a minimum of \$528,957 in exploration costs and make a cash payment of CNY 1,750,000 to China Shandong No. 3 Mineral and Geological Exploration Institute. The timetable under the contract for these exploration costs is as follows:

- \$159,336 in exploration costs are to be contributed within 90 days of the issuance of the business license to the co-operation company;
- \$369,621 in exploration costs are to be contributed within 1.5 years of the issuance of the business licenses of the co-operation company in accordance with Chinese laws; and
- make the cash payment of CNY 1,750,000 within one month from when the transfer approval of all mining and exploration licenses is received.

At September 30, 2010, the issuance of the business license and the receipt transfer of all mining and exploration licenses had not occurred. Therefore, to date, the contributions described above are not yet due and have not been made or accrued.

During the year ended September 30, 2010, the Company determined that this property was impaired and therefore recognized a write-down of \$282,992.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

9. Asset retirement obligations

The Company's asset retirement obligations consist primarily of costs associated with mine reclamation and closure activities. These activities, which are site specific, include costs for earthworks, including detoxification and re-contouring, re-vegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, management used a credit adjusted risk-free rate of 12.51% and an inflation rate of 2%. The undiscounted cash flows, before inflation adjustments, estimated to settle the asset retirement obligations was \$3,856,515 at October 1, 2010. The majority of the expenditures are expected to occur in or after 2030.

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Balance, beginning	430,669	-	-
Addition resulting from commencement of mining operations at the Muping Property (Note 8)	-	383,934	-
Accretion expense	15,441	46,735	-
Balance, ending	446,110	430,669	-

10. Loans payable

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Balance, beginning	1,458,162	2,151,584	1,608,524
Accrued interest and fees	29,743	122,765	543,060
Loan received	5,886,451	1,880,465	-
Loan repaid	(2,214,404)	(2,696,652)	-
Balance, ending	5,159,952	1,458,162	2,151,584

In April 8, 2008, the Company issued an unsecured note payable of \$1,970,000 (CAD\$2 million) as part of obtaining funding for the purpose of making the Company's final capital contribution to JVCo (Note 8). The loan included interest at the rate of 30% per annum on all principal amounts commencing on September 1, 2008. The note matured on September 30, 2008. The Company was required to pay a \$24,630 (CAD\$25,000) re-commitment fee at the beginning of each month during which the principal of the loan plus any unpaid interest remains outstanding.

On November 3, 2010, the Company repaid the outstanding loan principal balance and accrued interest and fees in the amount of \$2,280,489 (CAD\$2,301,432).

During the year ended September 30, 2011, JVCo received \$1,880,465 (CNY 12,000,000) and repaid \$2,696,652 to a lender that is at arm's length from the Company, to finance the new mill construction. At September 30, 2011, \$1,458,162 (CNY 9,305,116) remained outstanding. The loan is unsecured and bears interest when repayable at a rate of 0.7% per month. The loan is repayable in ten months from the date of cash advances making up the total balance outstanding.

During the period ended Mar 31, 2012, JVCo received \$5,886,451 (CNY 37,100,000) and repaid \$2,214,404 (CNY 13,900,000) to lenders at arm's length from the Company, to finance the new mill construction and general operations. At March 31, 2012, \$5,159,952 (CNY 32,505,116) remained outstanding, consisting of a loan of \$1,587,428 (CNY 10,000,000) which is unsecured, has a one-year term and bears interest at the rate of 9.184% per annum. The remaining loans are unsecured and bear interest when repayable at a rate of 0.7% per month. The loans are repayable within twelve months from the date of cash advances making up the total balance outstanding.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

11. Share capital

Authorized: Unlimited number of common shares without par value.

Issued:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	Number of shares	Number of shares	Number of shares
Balance, beginning	566,350,582	399,796,169	228,299,986
Issued:			
For settlement of convertible loan	50,914,634	-	-
For mineral properties	-	-	160,000,000
For mineral properties – finders' fees	-	-	8,000,000
For cash on private placements	-	14,000,000	-
Warrants exercised	-	151,979,413	2,700,000
Stock options exercised	-	575,000	-
Finders' shares	-	-	796,183
Balance, ending	617,265,216	566,350,582	399,796,169

Share capital transactions:

Period ended March 31, 2012:

On November 3, 2011, the \$9,626,000 (CAD\$10,000,000) convertible loan (Note 12) was converted into common shares of the Company at a price of CAD\$0.205 per share. In addition, loan interest in the amount of \$430,194 (CAD\$437,500) was converted into common shares of the Company at a price of CAD\$0.205 per share. A total of 50,914,634 common shares were issued.

Period ended September 30, 2011:

On August 10, 2011, the Company completed a non-brokered private placement consisting of 14,000,000 common shares at CAD\$0.20 per share for gross proceeds of \$2,695,280 (CAD\$2,800,000). The Company paid \$269,528 (CAD\$280,000) in cash as finders' fees for this private placement.

Share purchase warrants totaling 151,979,413 were exercised for proceeds of \$14,629,538 (CAD\$15,197,941). The Company incurred \$765,105 (CAD\$794,832) of finders' fees relating to warrants exercised.

Stock options totaling 575,000 were exercised for proceeds of \$66,419 (CAD\$69,000).

Period ended September 30, 2010:

On September 13, 2010, the Company issued 160,000,000 shares at CAD \$0.05 per share as consideration for the Muping JV Interest (Note 8). The Company also issued 8,000,000 shares at CAD\$0.05 per share as finders' fees.

Share purchase warrants totaling 2,700,000 were exercised for proceeds of \$262,197 (CAD\$270,000).

On June 10, 2010, the Company issued 796,183 shares at CAD\$0.05 per share as finders' fees relating to its non-brokered private placement that closed on October 26, 2008, not issued at the time of the private placement.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Share Purchase Warrants

The continuity of share purchase warrants outstanding is as follows:

	March 31, 2012		September 30, 2011	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning	-	-	152,569,337	CAD\$0.10
Issued	-	-	-	-
Exercised	-	-	(151,979,413)	CAD\$0.10
Expired / cancelled	-	-	(589,924)	CAD\$0.10
Balance, ending	-	-	-	-

Stock Options

The maximum number of common shares issuable under the terms of the Company's Amended Incentive Stock Option Plan, dated February 15, 2005, shall not exceed 10% of the issued and outstanding shares of the Company at the time the stock options are granted, less the number of shares, if any, subject to prior stock options issued.

In September 2011, the Company granted 30,000,000 (2010 – 20,000,000) stock options to directors, senior officers and consultants at a price of CAD\$0.20 (2010 - CAD\$0.12) per share for a period of five years. The following assumptions were used for the Black-Scholes valuation of these stock options granted: expected dividend yield – 0% (2010 – 0%); expected stock price volatility – 152.87% (2010 - 143%); risk-free interest rate – 1.49% (2010 - 2.47%); expected life of options – 5 years (2010 - 5 years). For the year ended September 30, 2011, the Company recorded stock-based compensation expense of \$5,570,746 (2010 – \$2,220,952).

Stock option activity is as follows:

	March 31, 2012		September 30, 2011	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning	51,500,000	CAD\$0.17	22,125,000	CAD\$0.14
Granted	-	-	30,000,000	CAD\$0.20
Exercised	-	-	(575,000)	CAD\$0.12
Expired / cancelled	-	-	(50,000)	CAD\$0.30
Balance, ending	51,500,000	CAD\$0.17	51,500,000	CAD\$0.17

Stock options outstanding and exercisable as at March 31, 2012:

Exercise price	Expiry date	Options outstanding		Options exercisable	
		Number of shares	Weighted average life (years)	Number of shares	Weighted average life (years)
CAD\$0.30	October 3, 2012	2,075,000	0.51	2,075,000	0.51
CAD\$0.12	June 22, 2015	19,425,000	3.23	19,425,000	3.23
CAD\$0.20	September 14, 2016	30,000,000	4.46	30,000,000	4.46
Total		51,500,000	3.84	51,500,000	3.84

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

12. Convertible Loan

Period ended March 31, 2012:

On November 3, 2011, the \$9,626,000 (CAD\$10 million) convertible loan was converted into common shares of the Company at a price of CAD\$0.205 per share (Note 11). In addition, loan interest in the amount of \$430,194 (CAD\$437,500) was converted into common shares of the Company at a price of CAD\$0.205 per share.

Period ended September 30, 2011:

On July 26, 2011 the Company arranged a \$9,626,000 (CAD\$10-million) convertible loan to advance its Muping Property. The loan has a one-year term and the loan principal will be convertible at the option of the lender in whole or in part into common shares of the company until 12 months from the date of the loan advance at the price of CAD\$0.205 per share. The loan bears interest at the rate of 7.5% per year, payable on maturity, and accrued and unpaid interest will be convertible at the option of the lender in whole or in part into shares of the company until 12 months from the date of the loan advance at market price at the time of conversion.

The borrower also agreed to a 90-day period for reciprocal due diligence reviews and discussions for the possible further involvement of the lender in the Muping Property. In the event that no further agreement is reached between the lender and the company during the 90-day period, then the loan and a minimum of seven months interest will automatically convert to shares in the company, the loan at a price of CAD\$0.205 per share and the interest at the higher of per CAD\$0.205 per share or the market price of the Company's shares at conversion.

As the Company was not obliged to negotiate a further agreement with the lender during the 90-day period it had no obligation to settle the loan in cash or other assets of the Company. As a result of not having an obligation to settle the loan in cash or other assets of the Company, the loan was classified as equity.

13. Reserves

Changes to the Company's reserves are summarized as follows:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Balance, beginning	9,606,940	4,036,194	1,815,242
Stock-based compensation expense (Note 11)	-	5,570,746	2,220,952
Balance, ending	9,606,940	9,606,940	4,036,194

14. Related Party Transactions

Due to related parties

The following amounts are due to related parties:

	Mar. 31, 2012	Sep. 30, 2011	Oct. 1, 2010
	-\$-	-\$-	-\$-
Directors of the Company	9,104	7,266	164,090
Companies controlled by an officer and director of the Company	31,699	165,317	211,256
	40,803	172,583	375,346

Amounts due to related parties are unsecured, non-interest bearing and are repayable on demand.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

14. Related Party Transactions (continued)

Transactions with related parties

For the six months ended March 31, 2012 and 2011, the Company was charged the following amounts:

	Mar. 31, 2012	Mar. 31, 2011
	-\$-	-\$-
Consulting and management fees	380,480	217,594
Rent and administrative services	74,154	78,498
Legal fees and financing related costs	10,133	-
	464,767	296,092

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.

During the six-month period ended March 31, 2012, the Company incurred \$182,000 (2011 – \$105,574) in consulting and management fees paid to a company controlled by the CEO. The Company also incurred \$6,000 (2011 - \$6,000) in consulting and management fees paid to a company controlled by the CFO. The Company also incurred \$82,200 (2011 - \$82,200) in consulting and management fees paid to a company controlled by a Country Manager. The Company also incurred \$46,180 (2011 - \$85,416) in consulting and management fees paid to the VP Exploration and Development. The Company also incurred \$40,000 (2011 - \$45,000) and \$24,100 (2011 - \$21,900) in consulting and management fees paid to other two separate Directors. The Company also incurred \$74,154 (2011 - \$47,172) in rent and administrative services paid to a company controlled by the CEO. The Company also incurred \$10,133 (2011 - \$nil) in legal fees and financing related costs paid to a law firm in which Terrence E. King, a director of the Company, is a principal.

15. Income tax

As at September 30, 2011, the Company had Canadian non-capital losses of \$16,449,129 available to reduce future taxable income. These losses expire as follows:

2014	\$	657,965
2015		1,151,439
2026		1,118,541
2027		1,908,099
2028		2,418,022
2029		2,138,387
2030		2,302,878
2031		4,753,798
		<u>\$ 16,449,129</u>

Management has determined that the realization of the potential income tax benefits related to the non-capital losses and other tax pools is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

16. Segmented information

The Company operates in one industry segment, being exploration and mining operations in China. All of the Company's capital assets are located in China, except office furniture and equipment with a net book value of \$16,659 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 Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

17. Supplemental cash flow information

Supplementary disclosure of cash flow information is provided for the six months ended March 31, 2012 and 2011:

	Mar. 31, 2012	Mar. 31, 2011
	-\$-	-\$-
Loan interest and fees paid	20,612	81,502
Loan interest on convertible debt	427,568	-
Income taxes paid	963,748	194,468
Accounts payable and accrued liabilities relating to resource property expenditures	-	30,350
Accounts payable and accrued liabilities relating to property, plant & equipment	-	32,424

18. General and administrative expenses

Additional disclosure of general and administrative expenses is provided for the six months ended March 31, 2012 and 2011:

	Mar. 31, 2012	Mar. 31, 2011
	-\$-	-\$-
Consulting	1,094,161	1,319,145
Office and general	1,053,445	448,509
Professional fees	161,192	131,915
Salaries	199,831	158,297
Travel	530,199	580,424
Total	3,038,828	2,638,290

19. Capital management

The Company's policy on capital management is to maintain a capital structure that provides financial flexibility, preserves access to capital markets, maintains investor, creditor and market confidence, and that allows the Company to fund future development and mining operations. Management considers capital structure to include share capital, cash, amounts due to and from related parties, and working capital. In order to maintain or adjust capital structure, the Company may from time to time issue shares or enter into debt agreements and adjust its capital spending to manage current and projected cash flows and debt levels.

The company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends, nor are any contemplated in the foreseeable future. There have been no changes to the Company's capital management strategy during the period ended March 31, 2012.

20. Non-controlling interest

The Company had initially accounted for its interest in Majestic Yantai (Note 8) as an asset acquisition. As a result of the Muping Mineral Property commencing production during the year ended September 30, 2010, the Company recognized the non-controlling interest in the subsidiary. The non-controlling interest represents a 6% equity interest in Majestic Yantai held by a minority shareholder.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

21. Commitments

Operating lease commitments

On June 1, 2011, the Company entered into a 5-year lease agreement with RPMG Holdings Ltd., whereby the Company is required to pay \$4,100 per month for rental of the head office premises. Total basic rent over the remaining lease period is \$205,000.

	2012	2013	2014	2015	2016	Total
	-\$-	-\$-	-\$-	-\$-	-\$-	-\$-
Operating lease commitments:						
Office premises	25,000	49,000	49,000	49,000	33,000	205,000

22. Subsequent events

As of the date of filing, there are no material subsequent events to report.

23. Transition to International Financial Reporting Standards

Effective January 1, 2011, Canadian publicly listed entities are required to prepare their financial statements in accordance with IFRS instead of Canadian GAAP. This mandate applies to interim reporting periods in 2011 and requires the 2010 comparative financial information to be in accordance with IFRS. Accordingly, although the Company is a first time reporter under IFRS in 2011, the underlying conversion is based on an effective transition date of October 1, 2010.

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

Business combinations

The Company has elected to utilize the option in IFRS 1 to not apply IFRS 3R “Business Combinations” (“IFRS 3R”) retrospectively to business combinations prior to October 1, 2010 and to apply IFRS 3R prospectively to business combinations on or after the October 1, 2010 transition date. The impact of this policy decision is that all prior business combinations will continue to be accounted for as originally recorded under Canadian GAAP. There were no business combinations during fiscal 2010.

Borrowing costs

The Company has elected the option in IFRS 1 to not apply IAS 23 “Borrowing Costs” retrospectively to borrowing costs prior to January 1, 2010. The impact of this policy decision is that all previously expensed interest and related borrowing costs to October 1, 2010 will continue to be accounted for as originally recorded under Canadian GAAP.

Share based payments

The Company has elected the transition exemption available to not retrospectively apply the IFRS 2 “Share-based Payments” calculation method to any share options vested before October 1, 2010.

Exploration and evaluation

The Company will maintain its current policy and will continue to capitalize all costs related to project costs. In accordance with IFRS 6, this permits the inclusion of general administrative costs as long as these are related to the project; this is consistent with current treatment under Canadian GAAP. In accordance with IFRS, the Company has elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

23. Transition to International Financial Reporting Standards (continued)

These condensed consolidated interim financial statements present the interim financial statements of the Company and its subsidiaries in accordance with IFRS as issued by IASB. The Company's Canadian GAAP statement of financial position as at October 1, 2010, March 31, 2011 and September 30, 2011 and the comprehensive income for the year ended September 30, 2011, three months ended March 31, 2011 and six months ended March 31, 2011, have been reconciled to IFRS, with resulting differences explained below:

Decommissioning and rehabilitation provision

Under IAS 37 Provision, Contingent Liabilities and Contingent Assets, a change in the current market-based discount rate will result in a change in the measurement of the provision whereas under Canadian GAAP, discount rates are not changed unless there is an increase in the estimated future cash flows in which case the incremental cash flows are discounted at current market based rates. In addition, under Canadian GAAP, a credit-adjusted risk-free discount rate is used whereas under IFRS, the discount rate reflects the current market assessments of the time value of money and the risks specific to the liability. As a result of the provision for assets retirement obligations has been re-measured using the discount rate in effect at the transition date and adjustment has been recorded to corresponding assets.

Foreign currency translation

The Company changed its functional currency from Canadian dollars to US dollars effective October 1, 2010, which is also the date of transition into IFRS. For IFRS reporting, a change in functional currency should be accounted for prospectively from the date of change and management should translate balance sheet items into new currency using the exchange rate at the date of change (IAS 21, Foreign currencies). In accordance with IFRS, because the change was brought about by changed circumstances, it does not present a change in accounting policy and, therefore, a retrospective adjustment under IAS 8, Accounting policies, changes in accounting estimates and correction of errors, is not relevant. As all items are translated using the exchange rate at the date of change, the resulting translated amounts for non-monetary items are treated as their historical cost. There are no additional exchange differences that arise on the date of the change under IFRS.

Presentation

The presentation of the cash flow statement in accordance with IFRS differs from the presentation of the cash flow statement in accordance with Canadian GAAP as the changes made to the statements of the financial position and statements of comprehensive income have resulted in reclassifications of various amounts on the statement of cash flows. However, as there have been no changes to the total operating, financing or investing cash flows, no reconciliation has been provided. The classification of certain items with the statement of comprehensive income has been adjusted with no effect to net income.

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

	October 1, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	1,740,436	-	1,740,436
Accounts receivable	999,590	-	999,590
Other receivables	67,687	-	67,687
Prepaid expenses and advances	172,523	-	172,523
Inventory	217,646	-	217,646
Investments	213,926	-	213,926
	3,411,808	-	3,411,808
Property, plant and equipment	2,172,204	(34,448)	2,137,756
Mineral properties and deferred exploration costs	19,491,279	(6,411)	19,484,868
	25,075,291	(40,859)	25,034,432
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	1,532,600	-	1,532,600
Loans payable	2,151,584	-	2,151,584
Due to related parties	375,346	-	375,346
	4,059,530	-	4,059,530
Future income tax liability	2,640,631	-	2,640,631
	6,700,161	-	6,700,161
NON-CONTROLLING INTEREST	327,756	-	327,756
SHAREHOLDERS' EQUITY			
Share capital	41,139,292	(1,382,268)	39,757,024
Reserves	4,133,597	(97,403)	4,036,194
Accumulated other comprehensive income	202,199	7,825	210,024
Deficit	(27,427,714)	1,430,987	(25,996,727)
	18,047,374	(40,859)	18,006,515
	25,075,291	(40,859)	25,034,432

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

	March 31, 2011		
	Canadian GAAP	IFRS Adjustments	IFRS
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	1,651,805	-	1,651,805
Accounts receivable	840,437	-	840,437
Other receivables	158,287	-	158,287
Prepaid expenses and advances	172,851	-	172,851
Investments	285,440	-	285,440
	3,108,820	-	3,108,820
Property, plant and equipment	8,425,556	(63,962)	8,361,594
Mineral properties and deferred exploration costs	19,803,882	219,050	20,022,932
	31,338,258	155,088	31,493,346
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	2,039,123	-	2,039,123
Due to related parties	72,303	-	72,303
	2,111,426	-	2,111,426
Future income tax liability	2,798,073	-	2,798,073
	4,909,499	-	4,909,499
NON-CONTROLLING INTEREST	367,217	(20,356)	346,861
SHAREHOLDERS' EQUITY			
Share capital	51,222,536	(1,417,680)	49,804,856
Share subscriptions received	922,432	-	922,432
Reserves	4,036,194	-	4,036,194
Accumulated other comprehensive income	244,279	23,449	267,728
Deficit	(30,363,899)	1,569,675	(28,794,224)
	26,061,542	175,444	26,236,986
	31,338,258	155,088	31,493,346

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

	September 30, 2011		
	Canadian GAAP	IFRS Adjustments	IFRS
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	13,536,170	-	13,536,170
Other receivables	275,531	-	275,531
Prepaid expenses and advances	146,080	-	146,080
Inventory	2,590,498	-	2,590,498
Investments	144,912	-	144,912
	16,693,191	-	16,693,191
Property, plant and equipment	11,752,250	174,946	11,927,196
Mineral properties and deferred exploration costs	19,851,121	172,967	20,024,088
	48,296,562	347,913	48,644,475
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4,085,832	-	4,085,832
Loans payable	1,458,162	-	1,458,162
Due to related parties	172,583	-	172,583
	5,716,577	-	5,716,577
Asset retirement obligations	430,669	-	430,669
Future income tax liability	2,714,093	-	2,714,093
	8,861,339	-	8,861,339
NON-CONTROLLING INTEREST	272,895	(1,543)	271,352
SHAREHOLDERS' EQUITY			
Share capital	57,135,805	(155,579)	56,980,226
Convertible loan	9,626,000	-	9,626,000
Reserves	9,606,940	-	9,606,940
Accumulated other comprehensive income	106,408	179,078	285,486
Deficit	(37,312,825)	325,957	(36,986,868)
	39,162,328	349,456	39,511,784
	48,296,562	347,913	48,644,475

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

	Year ended September 30, 2011		
	Canadian GAAP	IFRS Adjustments	IFRS
	\$	\$	\$
Gold revenue	11,382,778	-	11,382,778
Cost and Expenses			
Operating costs	9,338,363	-	9,338,363
Depletion	89,396	715	90,111
Stock-based compensation	5,570,746	-	5,570,746
General and administrative	5,048,822	20,195	5,069,017
Accretion of asset retirement obligations	46,735	-	46,735
	<u>20,094,062</u>	<u>20,910</u>	<u>20,114,972</u>
Operating loss	8,711,284	20,910	8,732,194
Other items			
Write-off accounts receivable on mineral property sale	857,965	-	857,965
Loan interest and fees	129,275	-	129,275
Distribution of net profit	692,626	-	692,626
Loss (gain) on foreign exchange	(14,196)	(497,743)	(511,939)
	<u>1,665,670</u>	<u>(497,743)</u>	<u>1,167,927</u>
Loss before tax and non-controlling interest	10,376,954	(476,833)	9,900,121
Income tax expense	217,080	-	217,080
Future income tax expense (recovery)	101,692	-	101,692
	<u>318,772</u>	<u>-</u>	<u>318,772</u>
Loss before non-controlling interest	10,695,726	(476,833)	10,218,893
Non-controlling interest	(55,003)	-	(55,003)
Net loss	10,640,723	(476,833)	10,163,890

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Three months ended March 31, 2011			
	Canadian GAAP	IFRS Adjustments	IFRS
	\$	\$	\$
Gold revenue	1,235,254	-	1,235,254
Cost and Expenses			
Operating costs	897,435	-	897,435
Depletion	6,290	50	6,340
General and administrative	1,156,577	4,626	1,161,203
	<u>2,060,302</u>	<u>4,676</u>	<u>2,064,978</u>
Operating loss	825,048	4,676	829,724
Other items			
Loan interest and fees	-	-	-
Distribution of net profit	51,011	-	51,011
Loss (gain) on foreign exchange	408,572	-	408,572
	<u>459,583</u>	<u>-</u>	<u>459,583</u>
Loss before tax and non-controlling interest	1,284,631	4,676	1,289,307
Income tax expense	68,014	-	68,014
Loss before non-controlling interest	1,352,645	4,676	1,357,321
Non-controlling interest	8,802	-	8,802
Net loss	1,361,447	4,676	1,366,123

Majestic Gold Corp.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2012

(Presented in US dollars – unaudited)

Six months ended March 31, 2011			
	Canadian GAAP	IFRS Adjustments	IFRS
	\$	\$	\$
Gold revenue	3,117,191	-	3,117,191
Cost and Expenses			
Operating costs	2,187,148	-	2,187,148
Depletion	13,304	106	13,410
General and administrative	2,627,779	10,511	2,638,290
	<u>4,828,231</u>	<u>10,617</u>	<u>4,838,848</u>
Operating loss	1,711,040	10,617	1,721,657
Other items			
Loan interest and fees	81,502	-	81,502
Distribution of net profit	209,579	-	209,579
Loss (gain) on foreign exchange	571,186	-	571,186
	<u>862,267</u>	<u>-</u>	<u>862,267</u>
Loss before tax and non-controlling interest	2,573,307	10,617	2,583,924
Income tax expense	194,468	-	194,468
Loss before non-controlling interest	2,767,775	10,617	2,778,392
Non-controlling interest	19,105	-	19,105
Net loss	2,786,880	10,617	2,797,497