# MACMILLAN GOLD CORP.
# MANAGEMENT DISCUSSION AND ANALYSIS

## Form 51-102F1

**For the Period Ended**
**March 31, 2006**

*Form 51-102F1*

# MACMILLAN GOLD
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE SIX MONTHS ENDED MARCH 31, 2006

## *1.1 - Overall Performance*

### *General*

This Management Discussion and Analysis ("MD&A") provides information on the operations of MacMillan Gold Corp. for the six month period ended March 31, 2006 and should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the six months ended March 31, 2006. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all monetary amounts are expressed in Canadian dollars unless otherwise indicated in the Notes to the Consolidated Financial Statements. The unaudited March 31, 2006 financial statements and this accompanying MD&A has not been reviewed by the Company's auditors. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com

### *Forward Looking Statements*

Certain statements contained in the following Management Discussion and Analysis constitutes forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties, and other factors which may cause the actual results or performance of achievements of the corporation to be materially different from actual future results and achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking statements while considering the risk set forth below.

### *Description of Business*

MacMillan Gold Corp. (the "Company") is a publicly listed company continued under the Canada Business Corporations Act. The Company's common shares are listed on the TSX Venture Exchange. The Company, directly and with exploration partners, is engaged in the exploration and development of mineral properties primarily in North and South America. The Company considers itself to be an exploration stage company

### *Overview of Performance*

On January 13, 2006, the Company released results from the sampling program at the Mahone Copper-Silver target at the Tetasiari project The Channel sample from this zone reported 51.2 g Ag/t and 0.976% Cu over an estimated true width of 7.25 m. Although the samples were collected from available sampling surfaces staggered across the zone, they reflect a continuous sample sequence across the mineralization. Alteration and brecciation of the host rock is present on both sides of the mineralization reported above indicating the potential to expand the zone in both directions.

On January 16, 2006, the Company announced the acquisition of the La Union Massive Sulfide Project in the Compostela area in the state of Nayarit in Mexico. Systematic chip sampling results included:
-Chips across 50 m. in gossanous breccia with 1.01% Cu, 0.560g Au/t, 37.6g Ag/t, Chips across 10 m. in massive sulfides with 4.05% Cu, 1.345 g Au/t, 323.8g Ag/t and Chips across 12 m. in gossanous breccia with 22.0% Cu, 2.07g Au/t, 590.00g Ag/t.(news Release 2006-02 dated January 16, 2006).

On February 14, 2006 The Company announced that it had resolved all outstanding issues with Young-Shannon Gold Mines, Limited and Consolidated Spire Ventures Ltd. MacMillan Gold received from Young-Shannon US$5,000 as payment of all outstanding exploration expenditures to the termination date and 300,000 shares of Young-Shannon. The Company received from Consolidated Spire US$ 65,529 as payment of all outstanding exploration expenditures to the termination date and 100,000 shares of Consolidated Spire.

On February 17, 2006, the Company received final approval from the TSX Venture Exchange for a private placement. The Company raised $2,500,000 by way of a non-brokered private placement. The financing consisted of 10,000,000 shares at a price of $0.25 with a warrant expiring February 7, 2008.

# MACMILLAN GOLD
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE SIX MONTHS ENDED MARCH 31, 2006

***Overview of Performance*** *(continued)*

Proceeds from this private placement will be used primarily to fund the Company's ongoing exploration programs and also to meet corporate working capital requirements. The Company plans a follow up drilling program at the Cerro de Oro Property in Zacatecas, which is located near the Western Silver Penasquito Discovery. The Company also plans to advance the La Mus Silver Property and the La Union Massive Sulphide to the drill test stage in 2006. The Company is currently funded to complete all exploration programs currently planned in 2006.

On March 31, 2006, the Company held the Annual and Special Meeting of Shareholders. George A. Brown, Ross D. Lawrence, Greg Van Staveren and Wayne W. Valliant were unanimously re-elected to the board of directors. McGovern, Hurley, Cunningham, LLP, Chartered Accountants, were re-appointed as the Company auditors. Shareholder permission was obtained for private placements of up to 100% of the currently issued and outstanding shares for the upcoming year. The Company currently has no plans to raise additional funds in the 2006 year and expects most of our 2007 required funding to be provided by the exercise of up to 10,000,000 warrants exercisable at $0.35 until February 2007. Shareholders approved by a margin of over 90% of disinterested shares (non-insiders) an additional 2,000,000 stock options available for grant in the Company Stock Option Plan ("SOP"). The SOP helps the Company to attract, retain, and motivate through ownership, competent and qualified directors, officers, and consultants. Our SOP was originally a TSE approved SOP allowing up to 20% of the issued and outstanding to be granted subject to shareholder approval of the plan's maximum allowed shares. Although the TSE approved 20% format was retained by MacMillan when the Company obtained listing on the TSX Venture in July 2002, the Company has only requested shareholder approval for 3,950,000 shares under the SOP since TSX Venture listing. This number represents 8.5% of the currently issued and outstanding shares of the Company.

The Company is also pleased to welcome Mr. John P. Thompson as VP Exploration. Mr. Thompson has a B.Sc. and M.Sc. from Acadia University in Earth Sciences (geology). He is also a Geological Engineer with over 30 years experience in our industry including as Vice President and President of public companies.

The change for Mr. Bending from VP Exploration to VP Corporate & Project Development recognizes the importance of the role that he has had in providing MacMillan's strong portfolio of properties and our ongoing ability to source and add future projects. It also recognizes that Mr. Bending has other personal time commitments, including, but not limited to, that of Vice President of Exploration for our property partner in Peru, Duran Ventures Inc.

On April 7, 2006, the Company announced that MacMillan Gold and Au Martinique Silver Inc. mutually agreed to terminate the El Socorro Property Option Agreement and the Bautiste Mine Property Option Agreement. No further shares of Au Martinique are due to MacMillan Gold and all project expenditures have been received from Au Martinique. The companies reached the decision to terminate jointly and amicably.

On April 7, 2006, the Company announced that First Star Resources Inc. had terminated the Alpha, Beta, Gamma Property Option Agreement. The notice was sent by First Star and received by MacMillan Gold after the anniversary date of the signed Mineral Property Option Agreement and MacMillan Gold are therefore owed 250,000 shares of First Star under the terms of the signed agreement.

*Form 51-102F1*

# MACMILLAN GOLD
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE SIX MONTHS ENDED MARCH 31, 2006

## *1.2 – Selected Annual Information*

The following table summarizes selected financial data for MacMillan Gold for each of the last three fiscal year-ends. The information set forth below should be read in conjunction with the audited Consolidated Financial Statements, prepared in accordance with Canadian generally accepted accounting principles, and their related notes.

| ***Year Ended:*** | ***September 30,2005*** | ***September 30,2004*** | ***September 30,2003*** |
|---|---|---|---|
| *Loss* | 527,737 | 449,372 | 327,152 |
| *Loss per share* | 0.02 | 0.01 | 0.01 |
| *Total Assets* | 3,128,002 | 2,306,538 | 1,590,869 |
| *Working capital (deficiency)* | (17,732) | 102,065 | 453,381 |
| *Exploration Properties** | 2,813,965 | 1,922,770 | 829,977 |

** Included in Total Assets above*

## *1.3 - Results of Operations*

During the six months ended March 31, 2006, the Company reported a loss of $174,954 compared to a loss of $233,126 for the six months ended March 31, 2005. The March 31, 2005 quarterly loss was re-stated (see Note 2 to the March 31, 2006 unaudited financial statements). Administrative expenditures decreased by $45,471 which reflects a $39,448 decrease in public relations activities.

During the six months ended March 31, 2006, the Company spent $215,515 on exploration property expenditures in Mexico and recovered $261,402 from joint venture partners in cash and shares for a net exploration recovery of $45,887.

## *1.4 - Summary of Quarterly Results*

The following table presents consolidated financial information from each of the last eight fiscal quarter periods starting with the period ending March 31, 2006:

| | ***Revenue*** **$** | ***(Loss)*** **$** | ***(Loss) per share*** ***$*** |
|---|---|---|---|
| March 31,2006 | Nil | (103,709) | (0.001) |
| December 31,2005 | Nil | (71,245) | (0.001) |
| September 30,2005 | Nil | (212,101) | (0.006) |
| June 30,2005 * | Nil | (79,991) | (0.001) |
| March 31,2005 * | Nil | (116,685) | (0.001) |
| December 31,2004 * | Nil | (118,960) | (0.001) |
| September 30,2004 | Nil | (158,436) | (0.005) |
| June 30,2004 | Nil | (105,472) | (0.003) |

* Re-stated as described in Section 1.11

## *1.5 and 1.6 – Liquidity and Capital Resources*

The Company's liquid assets at March 31, 2006 were $2,486,038, consisting of cash of $2,302,709, marketable securities of $72,000 and prepaid expenses and amounts receivable of $111,329.

During the quarter ended March 31, 2006, the Company received share subscription for 10,000,000 shares at a price of $0.25 per unit for a total proceeds of $2,500,000. Each unit consists of one common share and one warrant with two years expiry. Each warrant entitles the purchaser to obtain a share at a price of $0.35 until February 7, 2007 or at $0.50 until February 7, 2008. The shares and warrants are restricted until June 8, 2006. Finder's fees of $158,750 in cash and 319,000 shares as allowed by the TSX Venture Exchange were paid pertaining to this private placement.

# MACMILLAN GOLD
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE SIX MONTHS ENDED MARCH 31, 2006

## *1.7 - Off Balance Sheet Arrangements*

The Company does not utilize off-balance sheet financing arrangements.

## *1.8 - Transaction with Related Parties*

During the quarter ended March 31, 2006, the Company was charged $6,000 (2005 -$6,000) for rent and administrative services by a Company controlled by a director and officer. Geological consulting fees in the amount of $28,263 (2005 - $39,837) charged to exploration properties, were paid or accrued to an officer of the

Company. Included in accounts payable and accrued liabilities at March 31, 2006 is $26,385 (2005 - $43,279) owing to these related parties.

These transactions were in the normal course of operations and were measured at the exchange amount established and agreed to between the Company and the related parties.

## *1.9- Proposed Transactions*

There are no proposed transactions that will materially affect the performance of the Company.

## *1.10 - Critical Accounting Estimates*

The Company prepares their consolidated financial statements in accordance with accounting principles generally accepted in Canada. The most significant accounting estimate is the policy of capitalizing exploration expenditures on its active properties. The Company reviews its portfolio of properties on an annual basis to determine whether a write-down of the capitalized cost of any property is required under Canadian generally accepted accounting principles.

## *1.11 –Changes in Accounting Polices*

Comparative figures for the quarter ended March 31, 2005 were re-stated to reflect the presentation adopted in the September 30, 2005 audited financial statements. The value of shares received as a result of property option agreements and the 10% administration fees earned from property option agreements were previously reported as revenue in the March 2005 quarterly financial statements. This revenue is now included in the comparative results in these financial statements as a reduction of exploration expenditures.

## *1.12-Financial Instruments and Other Instruments*

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, as reflected in the balance sheet approximate their fair values.

## *1.13-Other MD&A Requirements*

### *Authorized*

The Company's authorized capital consists of an unlimited number of common shares without par value.

| **b) Common shares issued** | Shares | Amount |
|---|---|---|
| | # | $ |
| Balance, September 30, 2005 | 35,738,912 | 17,154,331 |
| Issued on exercise of stock options | 30,000 | 8,940 |
| Balance, December 31, 2005 | 35,768,912 | 17,163,271 |
| | | |
| Issued in private placement (net of Issue cost of $ 241,787) | 10,319,000 | 2,337,963 |
| Issued on exercise of stock options | 620,000 | 188,360 |
| Balance, March 31, 2006 | 46,707,912 | 19,689,594 |

# MACMILLAN GOLD
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE SIX MONTHS ENDED MARCH 31, 2006

## *1.13-Other MD&A Requirements (continued)*

### *Common share options*

Under the Company's stock option plan, directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and persons providing ongoing consulting services to the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant subject to the TSX Venture Exchange minimum of $0.10 with a the maximum term not to exceed five years. The options are 100% vested within two years of grant and are subject to a TSX Venture Exchange legend period if exercised in the first four months after grant.

***Additional disclosure of the Company's technical reports, material changes reports, news release and other information can be obtained on SEDAR.***