MACMILLAN GOLD CORP.
MANAGEMENT DISCUSSION AND ANALYSIS

Form 51-102F1

For the Period Ended
June 30, 2006

Form 51-102F1

MACMILLAN GOLD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED JUNE 30, 2006

1.1 - Date of Report

This Management Discussion and Analysis is current to June 30, 2006 as at August 24, 2006.

1.2 - Overall Performance

General

This Management Discussion and Analysis ("MD&A") provides information on the operations of MacMillan Gold Corp. for the nine month period ended June 30, 2006 and should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the nine months ended June 30, 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 June 30, 2006 financial statements and this accompanying MD&A have 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

MacMillan raised $2,500,000 earlier this year as announced on February 17, 2006. This provided $2,258,213 net of issue costs. Our cash position at June 30, 2006 shows that $2,196,246 of this financing remains available for our continuing exploration plans as more specifically discussed in the section "Current Exploration Activities" which follows.

MacMillan has completed $353,947 of exploration on our Mexican properties in the nine months to June 30, 2006. The Company has recovered $266,645 (75%) of these costs from shares received, expenditure recoveries and management fees earned from various joint ventures partners. MacMillan reduced the administrative and general expenses from $308,784 in 2005 to $277,932 in 2006 representing a 10% reduction. The net loss was further reduced by $45,586 due to interest income of $17,311 and gain on sale of securities of $28,275. MacMillan's commitment to maximizing shareholder value through an exploration focus with minimal corporate overhead has not deviated even though we have a significantly stronger treasury position.

MacMillan has been actively completing requirements in preparation of the upcoming drill programs. Property titles issued in the names of the prospectors representing MacMillan have been registered in the name of our Mexican subsidiary. A surface rights land use agreement required for environmental permitting has been negotiated and executed and the environmental permitting application required for drilling and trenching has been completed for the La Mus property. The environmental restoration work required under the Cerro de Oro permit for the past reverse circulation and diamond drilling has been completed. The Company is filing a new application for the upcoming drill programs. Drilling tenders have been sought and received. The drill contract award is imminent.

On March 31, 2006, the Company held the Annual General 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

Overview of Performance (continued)

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 its 2007 required funding to be provided by the exercise of up to 10,000,000 warrants exercisable at $0.35 until February 2007 (or at $0.50 until February 2008). 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. The 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.

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 Company has received 75,000 common shares of First Star Resources Inc as full settlement.

Current Exploration Activities:

La Union Property, Nayarit State:

MacMillan geologists collected 60 rock chip samples in a 3 week reconnaissance program in April and May 2006. The purpose of this program was to determine the orientation of the mineralization and to determine the potential extent of the mineralization based upon the size of the surface expression. Of the 60 samples collected, 16 reported anomalous results. Gold values ranged from low to 3.5 g Au/t with an average of 0.36 g Au/t while silver ranged from nil to 444 g Ag/t with an average of 24 g Ag/t. Of these samples, the best value reported was from sample URA-13, which assayed 2.537 g Au, 259 g Ag, 3.450% Cu and 0.077% Pb over a true width of 0.4 m. This sample is from a massive sulphide zone located in an arroyo. A repeat sample of this zone (URA-57) assayed 3.497 g Au, 241 g Ag, 6.7% Cu and 0.044% Pb over a true width of 0.4 metres. The overall zone averaged 1.505 g Au, 153.4 g Ag, 2.801% Cu and 0.035% Pb over 1 metres.

La Mus Property, Sinaloa State:

Recent geological mapping and rock sampling on this property has delineated the mineralized northwest trending San Miguel structure which hosts a number of old, small silver mine workings and which has now been traced on surface over a strike length of 600 metres. Of particular interest at San Miguel South, are 5 contiguous chip samples over 14 metres which averaged 3.2 g Au/t and 335 g Ag/t and are believed to represent a true width of 10 metres. In a road cut 600 metres along strike to the northwest from the San Miguel South showing, results of 6 contiguous samples over 9.6 metres assayed 0.4 g Au/t and 44 g Ag/t on the north side and assayed 0.9 g Au/t and 60 g Ag/t over 8.3 metres on the south side. The results on the San Miguel structure are extremely encouraging and the Company is soliciting bids to undertake a 1,000 to 1,500 metres diamond drill program to target this structure which is to start as soon as a drill contract is awarded.

Cerro de Oro Property, Zacatecas State:

In June 2006, MacMillan made the final property option payment of US$3,000 on 1 lot covering 76 hectares and of US$6,600 on 22 lots covering 240 hectares at Cerro de Oro. The final property option payment of US$35,000 on the 1,947 hectares under option from Compania Fresnillo S.A. de C.V. is due in September 2006. MacMillan has been compiling all available data including the 56 reverse circulation drill holes completed in 2003 and 2004 and the 18 diamond drill holes completed in 2004 and 2005. MacMillan recently completed a 223 sample soil geochemistry survey over a 100 metres by 25 metres grid pattern over the Maderito target area in an effort to further delineate the NW trending mineralized structure prior to the proposed diamond drilling program. Of the 223 samples collected, 42 samples assayed greater than 50 ppb gold with the maximum value at 604 ppb gold. Silver and the multi-element analysis of these samples have not yet been received from the lab. The gold in soil

Overview of Performance (continued)

values have potentially outlined two parallel zones about 140 metres apart, the stronger of which can be traced for over 500 metres to the eastern boundary of the sampling.

The surface trace of the western end of this zone is close to RCD hole SR-54 which assayed 1.7 g Au and 86.7 g Ag over an estimated true width of about 20 metres. Follow up diamond drilling of approximately 2,500 metres at Cerro de Oro on the Maderito and the San Leonides targets is scheduled to commence this year immediately after the completion of the first phase of drilling on the La Mus property.

Las Cucharas Property, Nayarit State:

Sampling was carried out in March and April 2006. Eighteen samples were taken from the general area of the El Trompo Zone. Of these 18 samples, fourteen were taken within an area of 130 m EW and 60 metres NS on the east flank of El Trompo Hill which is a triangular hill of extensively altered and silicified rhyolite with widespread gold and silver mineralization. All 14 samples which averaged 1.4 metres in length, were anomalous in gold, silver, copper, lead and zinc. Gold values ranged from 158 to 5,650 ppb with an average of 1,601 ppb while silver varied from 3.1 to 33.6 grams and averaged 27.0 grams. Copper averaged 0.02%, lead 0.132% and zinc 0.333%. The best sample (TRA-8) assayed 3.85 g Au per tonne, 67 grams Ag, 0.025% Cu, 0.49% Pb and 2.22% Zn per tonne over a sample width of 1.3 metres. Additional systematic sampling is scheduled this year at La Cucharas with the intent to advance this project to drill target stage. Access to Las Cucharas is limited during the rainy season. MacMillan will continue exploration on the promising El Trompo showing this fall.

El Zafiro Property, Sinaloa State:

A total of 16 soil samples and 17 rock panel samples were collected recently in the vicinity of a gold in soil geochemistry anomaly initially outlined in 2004 near old underground workings on this 100 hectare property. Results for the recent soil samples have not yet been received, however the results from the rock sampling appear to define a cluster of anomalous Au values situated in the vicinity of the old inaccessible underground workings. Six samples in this area varied from 0.06 to 3.154 grams gold per tonne (2.88, 1.61, 1.90, 3.15, 0.5, 0.06 g Au/t) with an average of 1.68 grams gold per tonne. The samples have been mostly collected from a rock wall near the entrance to the old working which is situated in altered andesite and which exhibits argillic alteration, minor hematite alteration and local quartz veining. The structures/fractures in this area appear to strike from 090º to 120º and dip very steeply to the south. Three of the samples are contiguous, are located about 20 metres WNW of the entrance to the old working along the rock face and average 2.127 g Au over 4.5 metres. Two other contiguous samples are located about 15 metres SW of the entrance along the same rock face and they average 1.827 g Au over 2 metres. The size of the target remains undefined and significantly more work is warranted.

Bautista Mine Property, Durango State:

This 100 hectare property is underlain by andesitic and dacitic volcanic rocks. Two NNE trending quartz/siliceous zones located about 150 metres apart appear to have been defined by recent rock sampling. The E zone extends from the Fatima workings, NNE through the Zapopan area, possibly to the Tiro de Jiro working, a distance of 400 metres. The W zone extends from the Chilondra working, NNE through the Tilcuate area to the Guadalupe workings, a distance of 300 metres. The width of the zones is probably in the order of about 2 metres. Arithmetic averages of 20 samples, principally representing grabs from dump material, are: 0.873 g Au, 107.3 g Ag, 1.334% Pb and 1.538% Zn. Of three chip samples of in situ vein material, only one reported significant values. It yielded 0.424 g Au, 36 g Ag, 9.7% Pb and 8.1% Zn over 2 metres from the Tilcuate area. The target in this area is narrow, polymetallic vein material. The base and precious metal results obtained from sampling the veins appear to be traceable over several hundred metres. It is planned to establish a grid on the property and conduct further geological mapping and soil sampling in the fall.

Outlook

All of the Company's projects in Mexico are in various stages of early stage exploration with the exception of the Cerro de Oro property in Zacatecas State which has seen previous reverse circulation and diamond drilling. The Company is aggressively exploring several of the properties with the intent to bring them to a drill stage this year. Three properties are now ready for drilling; La Mus, Maderito at Cerro de Oro and San Leonides at Cerro de Oro. Drilling will commence as soon as a drill contract is finalized.

A 600 metres gold and silver mineralized structural zone has been outlined on the La Mus property. Approximately 1,000 metres of drilling is scheduled in phase 1. A phase 2 follow up program is planned immediately after the evaluation of phase 1 results and completion of drilling at Cerro de Oro.

Outlook (continued)

At Cerro de Oro, the Company has outlined additional drill targets in the Maderito and San Leonides area and 2,500 metres of drilling are planned this year.

The outlook over the next year appears very good. The Company has a large land position in Mexico on which it is aggressively exploring. Projects are being advanced to the drill stage and three properties will be diamond drilled this year.

Qualified Person

The foregoing scientific and technical information has been prepared or reviewed by John P Thompson, Vice President of Exploration, David A. Bending Vice President of Corporate and Project Development and by William Hamilton, Manager of Exploration for the Company. Mr. Thompson, Mr. Bending and Mr. Hamilton are "qualified persons" within the meaning of National Instrument 43-101

1.3 – 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*

1.4 - Results of Operations

During the nine months ended June 30, 2006, the Company reported a loss of $232,346 compared to a loss of $314,784 for the nine months ended June 30, 2005. The June 30, 2005 quarterly loss was re-stated (see Note 2 to the June 30, 2006 unaudited financial statements). Administrative expenditures decreased by $30,852 which reflects a decrease in public relations activities.

During the nine months ended June 30, 2006, the Company spent $304,045 on exploration property expenditures in Mexico and recovered $221,027 from joint venture partners in cash and shares for a net exploration recovery of $83,018.

1.5 - 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 June 30, 2006:

	Revenue **$**	***(Loss)*** **$**	***(Loss) per share*** ***$***
June 30, 2006	Nil	(50,414)	(0.004)
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

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1.6 and 1.7 – Liquidity and Capital Resources

The Company's liquid assets at June 30, 2006 were $2,261,120, consisting of cash of $2,196,246, marketable securities of $41,560 and prepaid expenses and amounts receivable of $23,314.

1.8 - Off Balance Sheet Arrangements

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

1.9 - Transaction with Related Parties

During the quarter ended June 30, 2006, the Company accrued $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 $49,054 (2005 - $41,457) charged to exploration properties, were paid or accrued to three officers of the Company. Included in accounts payable and accrued liabilities at June 30, 2006 is $25,647 (2005 - $28,848) owing to these related parties.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

1.10- Proposed Transactions

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

1.11 - Critical Accounting Estimates

The Company prepares its 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.

1.12 –Changes in Accounting Polices

Comparative figures for the quarter ended June 30, 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 June 2005 quarterly financial statements. This revenue is now included in the comparative results in these financial statements as a reduction of exploration expenditures.

1.13 - 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.

1.14 - 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	2,086,667
Issued on exercise of stock options	620,000	188,360
Balance, June 30, 2006	46,707,912	19,438,298

1.14-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.

On April 12, 2006, the TSX Venture Exchange accepted for filing the Company's Stock Option Plan as amended and approved by shareholders at the March 31, 2006 Annual General Meeting. The board of MacMillan Gold granted 1,200,000 stock options exercisable at $0.30 for a period of three years. The grants include 550,000 options to the four directors including an officer/director, 250,000 options to three non-director officers, and 400,000 were granted to five consultants to the Company.

Risks and Uncertainties

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential successes lie in its ability to develop, exploit and generate revenue out of mineral deposits. Revenues, profitability and cash flow from any future mining operations involving the Company will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.
The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

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