

**MAJESCOR RESOURCES INC.**  
**(A Development Stage Company)**  
***UNAUDITED FINANCIAL STATEMENTS***  
***For the three months ended August 31, 2006***  
**Stated in Canadian dollars**

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# Majescor Resources Inc.

(a development stage company)

## Interim Consolidated Balance Sheets

(Expressed in Canadian dollars)

|   | August 31, 2006<br>\$<br>(unaudited) | February 28, 2006<br>\$<br>(audited) |
|---|--------------------------------------|--------------------------------------|
| <b>Assets</b>   |                                      |                                      |
| <b>Current assets</b>   |                                      |                                      |
| Cash and cash equivalents   | 2,175,376                            | 1,149,157                            |
| Marketable securities   | -                                    | 9,500                                |
| Amounts receivable  | 639,304                              | 573,066                              |
| Tax credit and mining duties receivable                             | 419,588                              | 879,983                              |
| Prepaid expenses  | 5,794                                | 8,162                                |
|   | <hr/> 3,240,062                      | <hr/> 2,619,868                      |
| <b>Property, plant and equipment</b> (note 4)                       | 10,688                               | 11,223                               |
| <b>Mining properties and deferred exploration expenses</b> (note 5) | 5,194,050                            | 4,658,398                            |
|   | <hr/> 8,444,800                      | <hr/> 7,289,489                      |
| <b>Liabilities</b>  |                                      |                                      |
| <b>Current liabilities</b>  |                                      |                                      |
| Accounts payable and accrued liabilities                            | 402,349                              | 705,192                              |
| Accounts payable – related party (note 6)                           | 49,666                               | 132,460                              |
| Amount due to operators   | 3,762                                | 22,279                               |
|   | <hr/> 455,777                        | <hr/> 859,931                        |
| <b>Shareholders' Equity</b>   |                                      |                                      |
| Share capital (note 7)  | 17,653,899                           | 16,622,838                           |
| Warrants (note 7)   | 1,159,026                            | 538,916                              |
| Contributed surplus (note 9)  | 772,869                              | 466,889                              |
| Deficit   | (11,596,771)                         | (11,199,085)                         |
|   | <hr/> 7,989,023                      | <hr/> 6,429,558                      |
|   | <hr/> 8,444,800                      | <hr/> 7,289,489                      |

Going concern assumption (note 1)

(Signed) "André Audet"  
André Audet, Director

(Signed) "Marc Carbonneau"  
Marc Carbonneau, CFO

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

# Majescor Resources Inc.

(a development stage company)

Interim Consolidated Statements of Deficit (unaudited)

(Expressed in Canadian dollars)

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|                                      | <b>Three months<br/>Ended<br/>August 31, 2006<br/>\$</b> | <b>Three months<br/>Ended<br/>August 31, 2005<br/>\$</b> | <b>Six months<br/>Ended<br/>August 31,2006<br/>\$</b> | <b>Six months<br/>Ended<br/>August 31,2005<br/>\$</b> |
|--------------------------------------|--|--|---|---|
| <b>Balance – Beginning of period</b> | 11,345,623   | 8,066,353  | 11,199,085  | 7,729,099   |
| Net loss for the period              | 251,148  | 117,971  | 397,686   | 455,225   |
| <b>Balance – End of period</b>       | <b>11,596,771</b>  | <b>8,184,324</b>   | <b>11,596,771</b>                                     | <b>8,184,324</b>                                      |

*The accompanying notes form an integral part of these interim consolidated financial statements*

# Majescor Resources Inc.

(a development stage company)

## Interim Consolidated Statements of Operations (unaudited)

(Expressed in Canadian dollars)

|   | Three months<br>Ended<br>August 31, 2006<br>\$ | Three months<br>Ended<br>August 31, 2005<br>\$ | Six months<br>Ended<br>August 31, 2006<br>\$ | Six months<br>Ended<br>August 31, 2005<br>\$ |
|---|--|--|--|--|
| <b>General and administrative expenses</b>                              |  |  |  |  |
| Management and consultant fees  | 75,483   | 39,385   | 143,960                                      | 75,836                                       |
| Salaries and fringe benefits  | 64,493   | 8,245  | 101,130                                      | 10,892                                       |
| Professional fees   | 31,535   | 25,562   | 51,423                                       | 33,664                                       |
| Maintenance fees  | 10,260   | -  | 11,754                                       | (235)  |
| Office expenses   | 10,197   | 11,551   | 21,241                                       | 25,126                                       |
| Travel and entertainment  | 5,712  | 2,349  | 11,773                                       | 13,371                                       |
| Insurance   | 2,808  | 391  | 6,645  | 391  |
| Advertising   | 14,276   | 26,978   | 19,168                                       | 41,482                                       |
| Interest and bank charges   | 435  | 735  | 1,026  | 1,784  |
| Loss on sale of marketable securities                                   | -  | -  | 65   | -  |
| Write-down of marketable securities                                     | -  | 7,500  | -  | 9,400  |
| Amortization of property, plant and equipment                           | 1,518  | 383  | 3,036  | 1,747  |
| Exchange loss (gain)  | 2,549  | (378)  | 3,659  | (293)  |
| Total General and administrative expenses                               | 219,266  | 122,701  | 374,880                                      | 213,165                                      |
| Part XII.6 tax  | 14,308   | -  | 14,308                                       | -  |
| Write-down of mining properties sold or abandoned                       | 31,567   | 100,844  | 43,826                                       | 401,997                                      |
|   | 265,141  | 223,545  | 433,014                                      | 615,162                                      |
| <b>Other Income</b>   |  |  |  |  |
| Work management fees  | 12,789   | 2,933  | 34,103                                       | 3,473  |
| Interest income   | 1,204  | 2,219  | 1,225  | 8,920  |
| Interest on sale of fixed asset   | -  | 380  | -  | 380  |
| Gain on sale of mining properties                                       | -  | 100,044  | -  | 147,164                                      |
| Total other income  | 13,994   | 105,576  | 35,328                                       | 159,937                                      |
| <b>Net loss for the period</b>  | 251,148  | 117,971  | 397,686                                      | 455,225                                      |
| <b>Net loss per common share, basic and diluted</b>                     | 0.004  | 0.002  | 0.006  | 0.009  |
| <b>Weighted average number of shares outstanding, basic and diluted</b> | 62,681,562                                     | 47,938,483                                     | 61,731,647                                   | 47,938,483                                   |

*The accompanying notes form an integral part of these interim consolidated financial statements*

# Majescor Resources Inc.

(a development stage company)

## Interim Consolidated Statements of Cash Flows (unaudited)

(Expressed in Canadian dollars)

|   | Three Months<br>Ended<br>August 31, 2006<br>\$ | Three Months<br>Ended<br>August 31, 2005<br>\$ | Six Months<br>Ended<br>August 31, 2006<br>\$ | Six Months<br>Ended<br>August 31, 2005<br>\$ |
|---|--|--|--|--|
| <b>Cash flows from (used in)</b>                          |  |  |  |  |
| <b>Operating activities</b>                               |  |  |  |  |
| Net loss  | (251,148)                                      | (117,971)                                      | (397,686)                                    | (455,225)                                    |
| Items not affecting cash –                                |  |  |  |  |
| Write-down of marketable securities                       | -  | 7,500  | -  | 9,400  |
| Amortization of property, plant and equipment             | 1,518  | 383  | 3,036  | 1,747  |
| Write-down of mining properties sold or abandoned         | 31,567   | 100,844  | 43,826                                       | 400,948                                      |
| Gain on sale of mining properties                         | -  | (100,044)                                      | -  | (147,164)                                    |
| Gain on sale of fixed assets                              | -  | (380)  | -  | (380)  |
| Loss on sale of Marketable securities                     | -  | -  | 65   | -  |
| Stock-based compensation                                  | 18,510   | -  | 33,602                                       | -  |
|   | (199,553)                                      | (109,668)                                      | (317,157)                                    | (190,674)                                    |
| Change in non-cash working capital items –                |  |  |  |  |
| Marketable securities                                     | -  | (127,500)                                      | -  | (127,500)                                    |
| Amounts receivable  | (420,605)                                      | 33,737   | (66,238)                                     | (217,860)                                    |
| Prepaid expenses  | (2,428)  | (7,894)  | 2,368  | (7,894)                                      |
| Accounts payable and accrued liabilities                  | 19,110   | (357,445)                                      | (70,347)                                     | (329,960)                                    |
|   | (603,476)                                      | (568,770)                                      | (451,374)                                    | (873,888)                                    |
| <b>Financing activity</b>                                 |  |  |  |  |
| Issue of share capital                                    | 1,465,112                                      | -  | 1,814,397                                    | -  |
| <b>Investing activities</b>                               |  |  |  |  |
| Proceeds from Sale of mining properties                   | -  | 427,500  | -  | 502,500                                      |
| Proceeds from sale of Marketable securities               | -  | -  | 9,435  | -  |
| Sale of (Additions to) plant and equipment                | -  | 1,500  | (2,500)                                      | (5,010)                                      |
| Acquisition of mining properties and exploration expenses | (166,666)                                      | (780,876)                                      | (802,999)                                    | (2,054,409)                                  |
| Tax credits and mining rights cashed                      | 332,235  | -  | 459,264                                      | -  |
|   | 165,569  | (351,876)                                      | (336,800)                                    | (1,556,919)                                  |
| <b>Net change in cash and cash equivalents</b>            | 1,027,207                                      | (920,646)                                      | 1,026,219                                    | (2,430,807)                                  |
| <b>Cash and cash equivalents – Beginning of period</b>    | 1,148,169                                      | 1,175,553                                      | 1,149,157                                    | 2,685,714                                    |
| <b>Cash and cash equivalents – End of period</b>          | 2,175,376                                      | 254,907  | 2,175,376                                    | 254,907                                      |
| <b>Additional information</b>                             |  |  |  |  |
| Purchase of mining properties included in/by issue of:    |  |  |  |  |
| accounts payable and accrued liabilities                  | (48,199)                                       | (424,422)                                      | (333,807)                                    | (221,469)                                    |
| shares  | -  | -  | 109,153                                      | -  |
| Issue of warrants during financing                        | 773,435  | -  | 892,488                                      | -  |

*The accompanying notes form an integral part of these interim consolidated financial statements*

# Majescor Resources Inc.

(a development stage company)

## Interim Consolidated Statements of Mineral Properties (unaudited)

(Expressed in Canadian dollars)

|   | Three Months<br>Ended<br>August 31, 2006<br>\$ | Three Months<br>Ended<br>August 31, 2005<br>\$ | Six Months<br>Ended<br>August 31, 2006<br>\$ | Six Months<br>Ended<br>August 31, 2005<br>\$ |
|---|--|--|--|--|
| <b>Balance – Beginning of period</b>              | 5,108,692                                      | 7,300,698                                      | 4,658,398                                    | 6,211,943                                    |
| Additions   |  |  |  |  |
| Drilling  | (67,642)                                       | 41,098   | 376,279                                      | 1,064,958                                    |
| Project consulting                                | 23,701   | 19,800   | 41,008                                       | 45,310                                       |
| Geophysical Survey - ground                       | (1,028)  | 8,496  | 20,692                                       | 190,334                                      |
| Geophysical Survey - airborne                     | 146,167  | -  | 146,167                                      | -  |
| Geological Survey                                 | 158,030  | -  | 158,030                                      | -  |
| Geochemical Survey                                | 2,342  | -  | 11,192                                       | 9,472  |
| Sampling  | 12,123   | 206,540  | 188,094                                      | 325,967                                      |
| Assaying  | 340  | 33,356   | 7,929  | 33,375                                       |
| Line Cutting                                      | -  | -  | -  | 11,156                                       |
| Staking   | -  | -  | -  | (1,150)                                      |
| Report Preparation                                | 27,067   | -  | 32,300                                       | 18,021                                       |
| Property evaluation                               | 8,964  | 5,031  | 19,033                                       | 416  |
| Renewal of Licences and Permits                   | 46,697   | 1,464  | 47,340                                       | 52,037                                       |
| General Field Expenses                            | 18,123   | 40,669   | 49,533                                       | 83,044                                       |
| Total Additions                                   | 374,884  | 356,454  | 1,097,597                                    | 1,832,940                                    |
| Recoveries from joint venture partners            | (256,417)                                      | -  | (662,796)                                    | -  |
| Acquisition of mining properties                  | -  | -  | 143,544                                      | -  |
|   | 118,467  | 356,454  | 578,345                                      | 1,832,940                                    |
| Deductions  |  |  |  |  |
| Write-down of mining properties sold or abandoned | (31,567)                                       | (428,300)                                      | (43,826)                                     | (728,405)                                    |
| Cost of sold properties                           | -  | -  | -  | (27,879)                                     |
| Tax credit, mining duties and grants              | (1,542)  | (25,759)                                       | 1,132  | (85,506)                                     |
|   | 85,358   | (97,605)                                       | 535,652                                      | (991,150)                                    |
| <b>Balance – End of period</b>                    | 5,194,050                                      | 7,203,093                                      | 5,194,050                                    | 7,203,093                                    |

*The accompanying notes form an integral part of these interim consolidated financial statements*

# **Majescor Resources Inc.**

## Notes to Interim Consolidated Financial Statements (unaudited)

(Expressed in Canadian dollars)

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### **1. Going concern assumption**

Majescor Resources Inc. (the “Company”) is an exploration company. Until it is determined that the Company’s properties contain reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of deferred expenditures is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business as they come due. These interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

For the three-months period ended August 31, 2006, the Company reported a loss of \$251,148 and an accumulated deficit of \$11.6 million at that date. In addition to ongoing working capital requirements, the Company must secure sufficient funding for its existing commitments for exploration and development programs and general and administration costs. These circumstances lend substantial doubt as to the ability of the Company to meet its commitments as they come due.

In recognition of these circumstances, the Company obtained in August 2006, a non-brokered private placement for gross proceeds of \$1,562,250 to fund its Madagascar and Brazil projects, and its general and administration costs. These undertakings are not sufficient in and of themselves to enable the Company to fund all aspects of its operations and, accordingly, management is pursuing other financing alternatives so it can continue as a going concern. While management expects that the Company will be able to secure the necessary financing through the issue of new equity or debt instruments and the entering into joint venture arrangements, there is no assurance that these initiatives will be successful.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### **2. Incorporation and Nature of Business**

The Company was incorporated under the Canada Business Corporations Act on February 23, 1996. The principal activities of the Company comprise the acquisition and exploration of mining properties.

### **3. Basis of presentation**

These interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods as in the preparation of the company’s most recent annual financial statements. All disclosures required for annual financial statements have not been included in these financial statements. Accordingly, these interim financial statements should be read in conjunction with the company’s most recent annual financial statements.

The financial information as at August 31, 2006 and August 31, 2005 is unaudited; however, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The

# Majescor Resources Inc.

## Notes to Interim Consolidated Financial Statements (unaudited)

(Expressed in Canadian dollars)

adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

### 4. Property, plant and equipment

|                                | Six months Ended<br>August 31, 2006 |                                   |               | Year ended<br>February 28, 2006 |                                   |               |
|--------------------------------|-------------------------------------|-----------------------------------|---------------|---------------------------------|-----------------------------------|---------------|
|                                | Cost<br>\$                          | Accumulated<br>amortization<br>\$ | Net<br>\$     | Cost<br>\$                      | Accumulated<br>amortization<br>\$ | Net<br>\$     |
| Office furniture and equipment | 1,346                               | 840                               | 506           | 1,346                           | 784                               | 562           |
| Computer equipment             | 9,899                               | 5,629                             | 4,270         | 9,899                           | 4,875                             | 5,024         |
| Computer software              | 5,038                               | 2,084                             | 2,954         | 2,538                           | 381                               | 2,157         |
| Analysis equipment             | 6,700                               | 5,040                             | 1,660         | 6,700                           | 4,746                             | 1,954         |
| Web site development expenses  | 7,485                               | 6,187                             | 1,298         | 7,485                           | 5,959                             | 1,527         |
|                                | <u>30,468</u>                       | <u>19,780</u>                     | <u>10,688</u> | <u>27,968</u>                   | <u>16,745</u>                     | <u>11,223</u> |

### 5. Mining properties and deferred exploration expenses

|                               | Six months Ended<br>August 31, 2006 |   | Year ended<br>February 28, 2006 |   |
|-------------------------------|-------------------------------------|---|---------------------------------|---|
|                               | Acquisition<br>cost<br>\$           | Deferred<br>exploration<br>expenses<br>\$ | Acquisition<br>cost<br>\$       | Deferred<br>exploration<br>expenses<br>\$ |
| Canada                        |                                     |   |                                 |   |
| Quebec                        |                                     |   |                                 |   |
| Nottaway                      | 597                                 | 47,363                                    | 1,073                           | 76,945                                    |
| Portage                       | 234,884                             | 1,692,964                                 | 234,884                         | 1,692,964                                 |
| Wemindji                      | 317                                 | —   | 2,075                           | —   |
| Gayot                         | —                                   | 350                                       | —                               | —   |
| Mistassini                    | 2,199                               | 5,157                                     | 3,323                           | 7,795                                     |
| Laparre                       | 44,408                              | 56,542                                    | 44,408                          | 56,542                                    |
| Crater Quebec                 | —                                   | 27,479                                    | —                               | 27,479                                    |
| Mirabelli                     | —                                   | 1,257                                     | —                               | —   |
| NWT                           |                                     |   |                                 |   |
| Upper Carp Lake               | —                                   | 91,924                                    | —                               | 91,665                                    |
| Carat                         | —                                   | 303                                       | —                               | —   |
| Big Island                    | 30,000                              | 404,199                                   | 30,000                          | 337,489                                   |
| Hardy Lake                    | 174,000                             | 924,316                                   | 174,000                         | 922,704                                   |
| Ontario                       |                                     |   |                                 |   |
| Crater Ontario                | —                                   | 1,967                                     | —                               | 1,967                                     |
| Nunavut                       |                                     |   |                                 |   |
| Baker Lake Uranium            | —                                   | 77,005                                    | —                               | 9,682                                     |
| International                 |                                     |   |                                 |   |
| Brauna/Brazil                 | 2,552                               | 520,472                                   | 2,552                           | 333,686                                   |
| Madagascar                    | 500                                 | 654,358                                   | 500                             | 585,314                                   |
| Centrafrique                  | —                                   | 800                                       | —                               | —   |
| Tres Marias area              | 164,896                             | 33,241                                    | 21,351                          | —   |
|                               | <u>654,353</u>                      | <u>4,539,697</u>                          | <u>514,166</u>                  | <u>4,144,232</u>                          |
| Deferred exploration expenses | <u>4,539,697</u>                    |   | <u>4,144,232</u>                |   |
|                               | <u>5,194,050</u>                    |   | <u>4,658,398</u>                |   |

# Majescor Resources Inc.

## Notes to Interim Consolidated Financial Statements (unaudited)

(Expressed in Canadian dollars)

### 6. Related party transactions

Related party transactions not disclosed elsewhere in these interim consolidated financial statements are as follows:

During the period, the Company paid \$1,000 in consulting fees (2005 - Nil) to one of its directors.

The Company reimburses the cost of shared salaries and benefits paid by Everton Resources Inc. (which shares a common Chairman). Included in accounts payable is \$49,666 due to Everton Resources Inc. (\$132,460 as at February 28, 2006).

### 7. Share capital

#### a) Authorized

Unlimited number of common shares without par value.

#### b) Issued

|  | Three months ended<br>August 31, 2006 |            | Six months ended<br>August 31, 2006 |            |
|--|---------------------------------------|------------|-------------------------------------|------------|
|  | Number Of<br>Shares                   | \$         | Number of<br>Shares                 | \$         |
| <b>Balance – beginning of period</b>                                   | 62,550,941                            | 16,962,222 | 59,018,639                          | 16,622,838 |
| Shares issued for cash (net of issue costs and fair value of warrants) | 12,017,310                            | 691,677    | 14,557,310                          | 921,908    |
| Shares issued to increase participation in mining properties           | -                                     | -          | 992,300                             | 109,153    |
| <b>Balance – ending period</b>   | 74,568,249                            | 17,653,899 | 74,568,249                          | 17,653,899 |

The following table summarizes information about the common shares issued during the period ended August 31, 2006:

| Date   | Number            | Price<br>\$ | \$             |     | Consideration     | Commission |
|--------|-------------------|-------------|----------------|-----|-------------------|------------|
| Aug-06 | 12,017,310        | 0.13        | 691,677        | (1) | Private placement |            |
|        | <b>12,017,310</b> |             | <b>691,677</b> |     |                   |            |

(1) This amount is net of share issue costs of \$97,138 and net of the fair value of the 12,017,310 accompanying warrants for \$773,435.

# Majescor Resources Inc.

Notes to Interim Consolidated Financial Statements (unaudited)

(Expressed in Canadian dollars)

## c) Warrants

|                               | Three-months ended<br>August 31, 2006 |   | Six months ended<br>August 31, 2006 |   |
|-------------------------------|---------------------------------------|---|-------------------------------------|---|
|                               | Number                                | Weighted<br>average exercise<br>price<br>\$ | Number                              | Weighted<br>average exercise<br>price<br>\$ |
| Balance – beginning of period | 9,822,966                             | 0.28  | 7,730,166                           | 0.35  |
| Granted                       | 12,017,310                            | 0.20  | 14,735,110                          | 0.20  |
| Cancelled                     | (2,800,000)                           | 0.35  | (3,425,000)                         | 0.41  |
| Balance – ending of period    | 19,040,276                            | 0.22  | 19,040,276                          | 0.22  |

As at August 31, 2006, the following stock purchase warrants were outstanding and exercisable:

| Number            | Exercise price<br>\$ | Black-Scholes<br>Value | Expiry date       |
|-------------------|----------------------|------------------------|-------------------|
| 3,164,666         | 0.35                 | 209,968                | November 1, 2006  |
| 50,000            | 0.40                 | 4,286                  | January 22, 2007  |
| 50,000            | 0.45                 | 3,166                  | January 23, 2008  |
| 1,040,500         | 0.15                 | 49,118                 | November 28, 2007 |
| 2,540,000         | 0.20                 | 109,272                | April 04, 2008    |
| 177,800           | 0.15                 | 9,781                  | April 04, 2008    |
| 12,017,310        | 0.20                 | 773,435                | August 31, 2008   |
| <u>19,040,276</u> |                      | <u>1,159,026</u>       |                   |

Warrants issued are measured and recognized at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

|                                 | Three months<br>August 31,<br>2006 | Year ended<br>February 28, 2006 |
|---------------------------------|------------------------------------|---------------------------------|
| Expected dividend yield         | 0.00%                              | 0.00%                           |
| Expected stock price volatility | 71%                                | 71%                             |
| Risk-free interest rate         | 4.01%                              | 3.72%                           |
| Expected life of warrants       | 2 years                            | 2 years                         |
| Weighted average fair value     | \$0.06                             | \$0.05                          |

# Majescor Resources Inc.

Notes to Interim Consolidated Financial Statements (unaudited)

(Expressed in Canadian dollars)

## 8. Stock option plan

The Company established a stock option plan under which certain key employees, officers, directors and consultants may be granted stock options of the Company. A maximum of 4,793,848 stock options (maximum of 5% of the number of common shares outstanding in favour of one person) may be granted.

Options granted expire after a maximum of ten years after the grant date.

|                               | <b>Three-months ended<br/>August 31, 2006</b> |   | <b>Six-months ended<br/>August 31, 2006</b> |   |
|-------------------------------|---|---|---|---|
|                               | <b>Number</b>                                 | <b>Weighted<br/>average exercise<br/>price<br/>\$</b> | <b>Number</b>                               | <b>Weighted<br/>average exercise<br/>price<br/>\$</b> |
| Balance – beginning of period | 3,878,162                                     | 0.15 (1)  | 3,778,162                                   | 0.15 (1)  |
| Granted                       | 200,000                                       | 0.15  | 300,000                                     | 0.15  |
| Cancelled                     | (455,000)                                     | 0.15  | (455,000)                                   | 0.15  |
| Balance – ending of period    | <u>3,623,162</u>                              | <u>0.15</u>   | <u>3,623,162</u>                            | <u>0.15</u>   |

(1) A repricing of options at a price of \$0.15 was performed in July 2006.

The Company's granted options vest at a rate of 25% after each quarter. During the period, the Company granted options to purchase up to 200,000 shares (of which none have vested in the period) of the Company's stock to a consultant at an exercise price of \$0.15 per share, with an estimated fair value of \$0.07 per share on the grant date. The company has recorded the following amounts as stock based compensation:

|                                | <b>Three months<br/>ended<br/>August 31, 2006</b> | <b>Three months<br/>ended<br/>August 31,2005</b> | <b>Six months<br/>ended<br/>August 31,<br/>2006</b> | <b>Six months<br/>ended<br/>August 31,2005</b> |
|--------------------------------|---|--|---|--|
|                                | \$  | \$   | \$  | \$   |
| Salaries and benefits          | 5,501   | -  | 11,002  | -  |
| Management and consulting fees | 13,010  | -  | 22,599  | -  |
| Total stock based compensation | 18,511  | -  | 33,601  | -  |

The fair value of options granted was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

|                                 | <b><u>August 31, 2006</u></b> | <b><u>February 28, 2006</u></b> |
|---------------------------------|-------------------------------|---------------------------------|
| Expected dividend yield         | 0.00%                         | 0.00%                           |
| Expected stock price volatility | 71%                           | 72%                             |
| Risk-free interest rate         | 4.28%                         | 3.94%                           |
| Expected life of options        | 5 years                       | 5 years                         |
| Weighted average fair value     | \$0.07                        | \$0.08                          |

# Majescor Resources Inc.

## Notes to Interim Consolidated Financial Statements (unaudited)

(Expressed in Canadian dollars)

### 9. Contributed Surplus

Contributed surplus consists of the following components:

|  | Three months<br>Ended<br>August 31, 2006<br>\$ | Three months<br>Ended<br>August 31, 2005<br>\$ | Six months<br>Ended<br>August 31, 2006<br>\$ | Six months<br>Ended<br>August 31, 2005<br>\$ |
|--|--|--|--|--|
| Balance – beginning of period  | 521,713  | 258,719  | 466,889                                      | 258,719                                      |
| Stock options granted to employees,<br>directors and officers (note 8) | 18,511   | -  | 33,601                                       | -  |
| Black-Scholes value of expired warrants                                | 232,644  | -  | 272,378                                      | -  |
| Balance – end of period  | 772,868  | 258,719  | 772,868                                      | 258,719                                      |

### 10. Segmented information

The Company operated in one segment being the acquisition and exploration of mining properties in order to search for economically recoverable reserves. A breakdown of total assets by geographic segment is as follows:

|                   | Canada<br>\$ | Brazil<br>\$ | Madagascar<br>\$ | Other | Consolidated<br>\$ |
|-------------------|--------------|--------------|------------------|-------|--------------------|
| August 31, 2006   | 7,062,521    | 721,160      | 660,319          | 800   | 8,444,800          |
| February 28, 2006 | 6,339,049    | 357,589      | 592,851          | -     | 7,289,489          |

### 11. Comparative figures

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

### 12. Subsequent events

The Company entered into an option agreement with De Beers Canada Exploration Inc. on Mirabelli property in Northern Quebec. Under the terms of the agreement De Beers and the Company will form a 51:49 Joint Venture upon the Company spending \$3.0 million on diamond exploration by December 2009. For gold and base metals on the same project, the Company must spend \$1.2 million in exploration by March 2009 to earn a 50% interest. The Company can increase its interest to 80% in the gold and base metals by spending an additional \$700,000 on exploration. The Company will be the operator of both the diamond and gold/base metals exploration while earning its respective interest.