

## **MAJESCOR RESOURCES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2009.**

The following Management Discussion and Analysis ("MD&A") of the operating results, financial condition and future prospects of Majescor Resources Inc. (the "Company" or "Majescor"), current as of October 28, 2009 should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the three and six months ended August 31, 2009 as well as the Company's audited consolidated financial statements and related notes for the years ended February 28, 2009 and February 29, 2008. Said financial statements were prepared in accordance with Canadian generally accepted accounting principles. The reporting currency is the Canadian dollars. Unless specified as \$US, references in this MD&A to dollars are to Canadian dollars.

This MD&A contains or may refer to certain statements that may be deemed "forward-looking statements". Forward-looking statements include estimates and statements that describe the Company's future development plans, objectives or goals, including words to the effect that the Company expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "anticipates", "believes", "could", "estimates", "expects", "may", "shall", "will", or "would". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices for mineral commodities; exploration successes; new opportunities; continued availability of capital and financing; general economic, market or business conditions; and litigation, legislative, environmental or other judicial, regulatory, political and competitive developments. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Majescor Resources Inc. does not undertake to update any forward-looking statement that may be made from time to time by Management or on its behalf, except in accordance with applicable public disclosure rules and regulations.

#### **Nature of Business**

Majescor is a Canadian mineral exploration and development company incorporated under the *Canada Business Corporations Act*. The Company is engaged in the acquisition, exploration and development of mineral properties. Its focus is presently on projects located in Canada, Haiti and Madagascar. The Company also continues to evaluate other opportunities outside the current area of operations. The Company has not yet determined whether its properties contain resources or mineral reserves. The recoverability of the amounts shown for mining properties is dependent on the existence of economically recoverable reserves, the Company's ability to obtain necessary financing to complete the exploration and development of its properties, and the future profitable production or proceeds from the disposal of these properties. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Common shares of the Company are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "MJX". Majescor's head office is in Montreal, Quebec.

### **Investment in SIMACT**

On April 23, 2009, the Company signed an agreement (the "Agreement") with SIMACT Alliance Copper Gold Inc. ("SIMACT") and its principal shareholders (the "Principals"), which include the Chairman of Majescor, whereby the Company could acquire a 10% interest in SIMACT, as well as an option to acquire all of the remaining outstanding shares of SIMACT.

SIMACT, through its 68.7% owned Haitian affiliate mining company, Société Minière du Nord-Est S.A. ("SOMINE"), controls a gold and copper-bearing mineral exploration property, (the "SOMINE" Property) located in the North-East mineral district of Haiti. SOMINE's mineral rights and obligations were assigned under a mining convention with the State of Haiti on May 5, 2005, renewable on May 5, 2010.

On May 26, 2009, after having completed technical and legal due diligence on SIMACT and SOMINE and having obtained all regulatory approvals, the Company acquired its 10% interest in SIMACT through the issuance of 2,000,000 shares, valued at \$360,994, including legal and due diligence-related costs of \$60,994.

Subject to making an initial cash payment of \$200,000 to SIMACT (which payment was made) and the carrying out by Majescor of \$600,000 in exploration work on the SOMINE Property within 8 months following the execution of the Agreement, Majescor was also granted a 12 month option ("the Option") to purchase the remaining 90% interest in SIMACT in consideration for the issuance of 10,000,000 common shares of Majescor in favour of SIMACT.

Furthermore, in the event that within a period of two years following the exercise of the Option, a NI 43-101 technical report determines indicated mineral resources on the SOMINE Property to be between 1,000,000 and 2,000,000 ounces of gold, or its equivalent in copper, Majescor shall, within 30 days of the report, issue and additional 3,000,000 of its common shares to SIMACT. In the event that the indicated mineral resources on the SOMINE Property are determined by the Report to be equal to or greater than 2,000,000 ounces of gold or its equivalent in copper, Majescor shall, within 30 days of the Report issue another 3,000,000 of its common shares to SIMACT. These additional issuances of common shares will also be subject to all required corporate and regulatory approvals.

### **Corporate Development Highlights**

In March 2009, the Company completed a non-brokered private placement for gross proceeds of \$50,000. The private placement consisted of the issuance of 500,000 units at a price of \$0.10 per Unit. Each unit consisted of one common share of the Company and one common share purchase warrant which entitles the holder to acquire one additional common share of the Company at a price of \$0.13 for a period of 24 months following the closing of the private placement. Directors of the Company participated in this first private placement subscribing for 300,000 units for \$30,000.

In June, the Company completed a non-brokered private placement for gross proceeds of \$600,000. The private placement consisted of the issuance of 3,000,000 units at a price of \$0.20 per Unit. Each unit consisted of one common share of the Company and one common share purchase warrant which entitles the holder to acquire one additional common share of the Company at a price of \$0.30 for a period of 12 months following the closing of the private placement. The share purchase warrants are subject to an accelerated expiry if, at any time after October 17, 2009, the published closing trade price of the common shares on the TSX Venture Exchange Inc. (the "Exchange") is equal or superior to \$0.40 for any 10 consecutive trading days, in which event the Company may give the holder a written notice and the share purchase warrants will automatically expire, if not exercised, 30 days after receipt of such notice. The funds raised pursuant to the third offering will be used to fund the SOMINE property exploration program in Haiti. An insider of the Company subscribed for 450,000 Units for \$90,000.

In July 2009, Majescor and partner Sunridge Gold Corp. ("Sunridge") announced an extension to their Agreement over four Malagasy gold and base metal properties held by Majescor. According to the terms of the September 15, 2008 Agreement, Sunridge has an option to acquire up to a 100% interest in the four properties held by Majescor by completing expenditures and issuing shares as described in Sunridge's press release dated October 15, 2008. Majescor and Sunridge have agreed that all the commitment dates in the September 15, 2008 Agreement will be extended by a one year period so that Sunridge now has until September 15, 2010 to complete the initial \$500,000 of expenditures on the properties. In exchange for this extension Sunridge issued 200,000 common shares to Majescor (valued at \$80,000).

In July, the Company had announced that subject to regulatory approval, the number of options which may be granted under its incentive stock option plan ("the Plan") would be increased by 811,800, for a new total of 1,749,417 common shares which may be issued under the company's Plan, being 10% of the issued and outstanding common shares of the Company.

### **Exploration**

Majescor is a junior explorer focusing on emerging mineral districts. The Company's exploration activities cover three geographic regions of interest. In addition to the Somine property in Haiti (under option from SIMACT), Majescor's project portfolio includes the Mistassini-uranium property (100%-owned; under option to Strateco Resources Inc.), and the Lac Laparre-uranium property (100%-owned; under option to Virginia Energy Resources Inc.), all located in the James Bay territory of northern Quebec. Finally, In Madagascar, Majescor owns 100% mineral rights to four gold and base metal properties (under option to Sunridge Gold Corp.).

Throughout the reporting period, three properties saw active exploration work, namely geological data acquisition, ground prospecting and geochemical sampling (SOMINE, Haiti); geological data compilation and follow-up target testing (Lac Laparre, Quebec); and core drilling (Mistassini, Quebec).

### **SOMINE property, North-East Haiti (Copper-Gold): Optioned from SIMACT Alliance Copper Gold Inc.**

In July 2009, Majescor and SIMACT announced the preliminary results of a comprehensive program of systematic ground prospecting and historical data compilation underway at the SOMINE copper-gold property in north-east Haiti. A 10 km long by up to 3.8 km wide copper-bearing corridor has been defined on the SOMINE property based on historical regional stream sediment, soil and rock geochemistry data. The northwest-trending mineralized corridor holds the historical Blondin and Douvray copper-gold prospects, the historical Faille-B gold prospect along with a series of recently-discovered copper showings in the south-east extension of Douvray, in an area known as Dos Rada.

Systematic prospecting carried-out by SIMACT over the SOMINE property in 2008 has confirmed the historical stream sediment, soil and rock data and outlined 123 new copper showings in outcrop, all situated within the 10 km-long corridor. The work confirmed the south-eastern extension of copper mineralization from the Blondin-Douvray prospects into the volcanic rocks of the Dos Rada area. Subsequent ground work focusing on the south-east extension, including the cutting of 69 km of survey lines spaced 100 m apart and systematic prospecting, soil and rock sampling, resulted in the discovery of 12 new mineralized showings on the survey grid at Dos Rada.

In August, Majescor partner SAGC signed a drilling contract with Palo Verde Drilling LTDA. of the Dominican Republic. The contract calls for the mobilisation of a man-portable core drilling rig and related equipment (including core tooling for HQ, NQ2 and BTW diameter drilling) and supplies from the Dominican Republic to the SOMINE property in Haiti. The minimum number of meters to be drilled has been set at 1,000 m. As of the reporting date the drill had been mobilised to the property. Drilling is scheduled to start on November 2.

In October, Majescor and SIMACT announced the discovery of two new copper-gold showings on the SOMINE property. During the course of systematic grid prospecting work, a massive quartz vein was uncovered 1.3 km southeast of the historical Douvray porphyry copper prospect. The showing, known as "Grosse Veine", has been stripped over a 20 m by 20 m surface area and the mineralisation remains open in all directions. A total of 56 assay readings were systematically taken across the quartz vein using a Niton™ hand-held x-ray fluorescence ("XRF") analyser and 7 grab outcrop samples were collected for geochemical analysis. Copper mineralization is ubiquitous, but irregular in grade, across the mineralized vein. Preliminary assay results recently received from Acme Analytical Laboratories have confirmed the anomalous Niton readings. The quartz vein also contains appreciable amounts of gold and silver.

In addition, systematic prospecting and a re-interpretation of geochemical data from the 2008 SAGC exploration program has confirmed the presence of a minimum 650 m-long by 300 m-wide copper-bearing zone in fractured and altered mafic volcanics. This new zone, known as "Ti-Toro", extends southeast and along strike from the previously reported Dos Rada historical copper area. Reconnaissance prospecting and geochemical sampling conducted in 2008 at Ti-Toro had uncovered 16 copper-bearing showings in outcrop. The mineralisation at Ti-Toro consists of malachite, chalcopyrite, pyrite, hematite, limonite and/or magnetite in fracture fillings and in quartz veins. Systematic geochemical sampling and mapping of the Ti-Toro zone is underway.

On the basis of these latest results, Majescor and SIMACT have devised a comprehensive exploration program for 2009 designed to re-assess the copper and gold potential of the entire SOMINE property, to test new high-priority targets within the 10 km-long prospective corridor and to make new significant copper and gold discoveries. The 2009 exploration program also calls for core drilling of one or more of the historical prospects, as well as of a number of the recently outlined geological targets and surface gold and copper showings.

As of the reporting date, the Palo Verde core drill rig and related drilling equipment and supplies were undergoing customs clearance procedures at the Haitian border. The SOMINE property drilling program is slated to start by the fourth week of October.

#### **Mistassini, Otish Mountains, Quebec (Uranium): Uranium rights optioned to Strateco Resources Inc.**

The Mistassini property is host to the Lac Mantouchiche uranium prospect. The property, optioned by Strateco Resources Inc. ("Strateco") in 2008, is comprised of 171 map-designated claims with a total surface area of 9,115 hectares. The property is located in the Otish Mountains of Quebec, 50 km southwest of Strateco's Matoush property.

In January of 2009, Strateco Resources Inc. ("Strateco") completed a 1,869 line-km airborne geophysical survey of the Mistassini property under option from Majescor. The high resolution magnetic and electromagnetic survey identified an ESE-WNW trending km-scale structural lineament, coincident with the Lac Mantouchiche uranium showing.

In February, Strateco announced plans to implement a drill campaign at the Mistassini property as part of a broader 30,000-metre drilling program targeting Strateco's Matoush uranium prospect and other targets in the Otish Mountains of Quebec. The principal objective of drilling program at Mistassini, scheduled to start in June, is to begin testing the strike and dip extensions of the Lac Mantouchiche uranium prospect. This drilling program is based on a target zone identified from the airborne geophysical survey completed over the property in January. The drilling campaign on the Mistassini property took place from June 10th to June 28th. Seven holes were completed for a total of 786 metres.

On July 9, Majescor and Strateco announced the preliminary results of the drill program. A new uranium-bearing zone was intersected in the immediate vicinity of the Lac Mantouchiche uranium showing. Results were included in a press release dated July 9, 2009.

The seven holes drilled on the Mistassini property tested three areas in the immediate vicinity of the Mantouchiche showing, over a total strike length of 125 metres. Two drill holes were completed per section to

test the strike extensions namely 50 metres to the west and 75 metres to the east of the Mantouchiche showing. Drill holes MIST-09-01, 02, 05 and 06, drilled to this end, intersected anomalous eU3O8 values. Drill holes MIST-09-03 and 04 were drilled along the same section as the discovery hole MIST-07-03. The strike extension of the new zone could not be confirmed by the last hole in the campaign, namely MIST-09-07, drilled along the same section as MIST-09-05 and 06.

As of the reporting period, Majescor and Strateco were still awaiting the final analytical results from the June 2009 drill campaign.

Given the positive results of the drill campaign and following a structural and geological interpretation, Strateco plans to conduct further exploration work on the property in 2010. At first, a ground geophysical survey will be implemented to test for the possible presence of high-grade uranium lenses preferentially aligned along a north-south axis.

Under the terms of the November 2008 Agreement with Majescor, Strateco can earn a 60% interest in Majescor's uranium rights on the property by incurring \$1.3 million in exploration expenditures over three years, including a firm \$500,000 commitment in Year 1. During the option period, Strateco will be the sole operator for all uranium exploration and will have full and exclusive access to the property. Northern Superior Resources Inc., which holds 100% of the rights for diamonds and 50.5% of the rights for all mineral substances other than diamonds and uranium, is entitled to a 2.0% Yellow Cake Royalty on the Property. Strateco's exploration commitment for the Mistassini property in 2009 is approximately \$ 410,000.

#### **Lac Laparre, Otish Mountains, Quebec (Uranium): Uranium rights optioned to Virginia Energy Resources Inc.**

During the reporting period, limited follow-up ground exploration work was conducted by Virginia Energy Resources Inc. ("Virginia") at the Company's Lac Laparre uranium property. The work focussed on compiling historical and recently acquired geological data from the property and then investigating high priority targets through ground prospecting and geochemical sampling. The lac Laparre property is located in the Otish Mountains uranium district of Northern Quebec.

In August, Majescor and Virginia renewed 33 claims at the Lac Laparre property. The New expiry date will be October 21, 2011.

The Lac Laparre property is comprised of 77 map-designated claims with a total surface area of 3,253.68 hectares.

Under the terms of the option agreement with Majescor, Virginia must incur \$2.5 million in exploration work expenditures by February of 2012 to secure a 66 2/3% interest in the uranium rights on the Lac Laparre property.

#### **Portage, Northern Otish Mountains district, Quebec (diamonds): 100% Majescor**

In September 2009, the Company completed the full dismantling, site clearing and demobilisation of the Portage base camp facility including all construction materials, field supplies and fuel stored on site. Upon request from the Mistissini Cree community, a single housing unit was left standing on site for use as an emergency shelter. Exploration work on the Portage property ceased in 2007.

**Baker Lake, Nunavut (Uranium) and Mirabelli, Quebec (Gold and Base metals): 100% Majescor**

Majescor does not intend to renew the remaining claims forming the Baker Lake uranium and the Mirabelli gold and base metal properties. Consequently, these properties were written-down to \$Nil during this period (\$54,842 in acquisition costs and \$753,942 in deferred exploration expenses).

**Madagascar gold and base metal properties: Optioned to Sunridge Gold Corp.**

The planned spring 2009 exploration program by Sunridge Gold Corp. ("Sunridge") for Majescor's four Malagasy gold and base metal properties, originally scheduled to start in April of 2009, has been postponed to the first semester of 2010.

In July, Majescor and partner Sunridge Gold Corp. ("Sunridge") announced an extension to their Agreement over the four properties held by Majescor. According to the terms of the September 15, 2008 Agreement, Sunridge has an option to acquire up to a 100% interest in the four properties held by Majescor by completing expenditures and issuing shares as described in Sunridge's press release dated October 15, 2008. Majescor and Sunridge have agreed that all the commitment dates in the September 15, 2008 Agreement will be extended by a one year period so that Sunridge now has until September 15, 2010 to complete the initial \$500,000 of expenditures on the properties. In exchange for this extension Sunridge has agreed to issue Majescor 200,000 common shares, subject to definitive documentation being entered into and receipt of regulatory approval.

The terms of the September 15, 2008 Agreement between Majescor, its Malagasy affiliate company Daraina Exploration SARL, and Sunridge stipulates that Sunridge can acquire up to a 100% interest in the Company's 100% owned Malagasy subsidiary Daraina. Under the terms of the agreement, Sunridge can earn 50% interest by spending \$2.0 million in qualifying expenditures over 2 years and issuing 500,000 common shares. Within 90 days following its initial obligations, Sunridge can obtain an additional 25% by expending an additional \$2,500,000 by the end of the third anniversary of the Agreement and by issuing an additional 500,000 common shares.

**Qualified person**

The above technical information was confirmed and/or reviewed by Marc-André Bernier, M.Sc., P.Geo., President of Majescor Resources Inc., a qualified person under NI 43-101.

## **Financial Information**

The following selected financial data is derived from the consolidated financial statements of the Company that were prepared in accordance with Canadian generally accepted principles:

<b>Selected Consolidated Financial Information</b>	Three months	Three months	Six months	Six months
	Ended	Ended	Ended	Ended
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
	\$	\$	\$	\$
<b>Operations</b>				
Net loss	957,291	2,160,796	1,104,038	2,493,175
Write-down of mineral exploration properties and deferred exploration expenses	808,784	508,961	808,784	521,019
Basic and diluted net loss per common share	0.06	0.22	0.07	0.25
Weighted average number of common shares outstanding	17,113,139	9,973,977	14,816,365	9,959,554
<b>Deferred Exploration Expenses</b>				
Deferred exploration expenses after contributions from partners	-	952,793	-	1,247,168
<b>Cash Flows</b>				
Cash flows used in operating activities	156,321	250,157	273,824	170,126
Cash flows used in investing activities	338,968	163,402	495,462	591,840
Cash flows from financing activities	643,137	-	689,958	-
Increase (decrease) in cash and cash equivalents	147,848	(413,559)	(79,328)	(761,966)
<b>Balance Sheet</b>				
			August 31, 2009	February 28, 2009
			\$	\$
Cash			276,366	355,694
Marketable securities			203,737	42,696
Long-term investment			774,259	-
Mineral exploration properties			191,687	284,817
Deferred exploration expenses			331,371	1,127,025
Total assets			2,644,405	2,695,729
Long term liabilities			144,352	136,290
Shareholders' equity			2,171,410	2,172,715

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

## Results of Operations for the three and six months ended August 31, 2009

Net loss for the three and six months ended August 31, 2009 is respectively \$957,291 and \$1,104,038 as compared to \$2,160,796 and \$2,493,175 in 2008. This decrease is mostly attributable to the absence of sale of mining properties during this period as compared to 2008 where the Company had realized a loss on sale of marketable securities for \$1,339,292.

During the three and six month periods ended August 31, 2009, expenses were respectively \$157,835 and \$293,812 as compared to \$271,181 and \$579,396 in 2008. This decrease is due a general decline in corporate expenses as the Company optioned and/or put most of its exploration projects on care and maintenance program since the end of 2008.

Also, during the three and six month periods ended August 31, 2009, write-down of mineral exploration properties and deferred exploration expenses was respectively \$808,784 and \$808,784 (\$508,961 and \$521,019 in 2008), as the Company does not intend to renew the claims of the Baker Lake and Mirabelli properties when they come due.

### Quarterly information

The following selected financial data is derived from the unaudited consolidated interim financial statements of the Company, which were prepared in accordance with Canadian generally accepted accounting principles.

Quarter Ended	Other Income	Net Loss	Basic and diluted Net Loss per common share
	\$	\$	\$
31/08/2009	17,356	957,291	0.06
31/05/2009	215	146,747	0.01
28/02/2009	558	4,169,928	0.40
30/11/2008	1,899	535,967	0.06
31/08/2008	4,401	2,160,796	0.22
31/05/2008	7,042	332,379	0.04
29/02/2008	11,182	1,731,844	0.18
30/11/2007	372	910,410	0.09

Net loss was higher during the quarters ended February 28, 2009, August 31, 2008 and February 29, 2008, due to higher write-downs of mining properties and deferred exploration expenses which were respectively \$3,914,366, \$508,961 and \$1,274,637, and also the recognition of a loss on sale of marketable securities for \$1,339,292 during the period ended August 31, 2008.

### Liquidity, Capital Resources and Going Concern

The Company's working capital stands at \$914,669 at August 31, 2009 as compared to \$761,927 at February 28, 2009. This increase is mostly due to the proceeds from a private placement completed on June 17, 2009 and the exercise of share purchase warrants for total net proceeds of \$643,137.

The Company has an unsecured convertible debenture presented in the financial statements in its liability component for \$144,352 and in its equity component for \$39,525.

At August 31, 2009, the Company had a working capital of \$914,669, including \$276,366 in cash and together with the proceeds from the sale of marketable securities subsequent to quarter-end for an amount of \$136,000 and the receipt of provincial tax credits for \$440,000, the Company anticipates having sufficient cash to meet its current obligations, continue its exploration work on the SOMINE property in Haiti and meet its corporate administrative expenses for several months. However, the Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program on the SOMINE property, to acquire additional exploration properties and to meet all of its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

### **Off Balance Sheet Arrangements**

As of August 31, 2009, the Company has no off balance sheet arrangements.

### **Related Party Transactions**

Under an agreement between the Company and Everton Resources Inc., the Company reimburses the cost of shared salaries and benefits, rent and office expenses paid by Everton Resources Inc. (which shares common management). During the three and six month periods ended August 31, 2009, the cost of shared salaries and benefits were respectively \$14,250 and \$28,500 (2008 - \$27,888 and \$55,776) and rent and office expenses were respectively \$714 and \$1,428 (2008 - \$10,600 and \$21,200). Included in Amount due to related party is \$5,000 due to Everton Resources Inc. (\$43,006 as at February 28, 2009).

Under a former joint venture agreement between the Company and Uranium World Energy Inc. ("UWE") (in which the Company retains a participation and shares a common director and CFO), the Company was the operator for the Baker Lake project. All exploration expenditures incurred on the project and paid by the Company were invoiced to UWE, in addition to a 10% management fee. As at August 31, 2009, the amount due from UWE was \$82,132 for which a 100% allowance for bad debt was previously recorded.

Under an agreement between the Company and Woodcliff Capital Inc. ("Woodcliff"), a management company wholly-owned by the Chairman of Majescor, the Company pays consulting fees to Woodcliff. During the three and six month periods ended August 31, 2009, the cost of consulting fees paid to Woodcliff were respectively \$10,500 and \$28,000 (\$Nil in 2008).

These transactions were measured at the exchange amount, that is the amount established and accepted by the parties and were conducted in the normal course of business.

The amounts due from (to) related parties are without interest and terms of repayment.

### **Mining Property Book Values**

At the end of each quarter, management reviews the carrying value of its resource properties to determine whether any write-downs are necessary. Following this analysis, during the period ended August 31, 2009, the Company recorded a write-down of \$808,784 (\$508,961 and \$521,019 in 2008) as the Company does not intend to renew the claims of the Baker Lake and Mirabelli properties when they come due.

### **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The Company's significant accounting policies and estimates are fully described in note 4 to the annual consolidated financial statements for the years ended February 28, 2009 and February 29, 2008.

### **Changes in Accounting Policies**

In March 2009, the Emerging Issues Committee (“EIC”) issued Abstract EIC-174, Mining exploration costs regarding the capitalization and impairment of exploration costs. The Company has taken into account the consensus reached in this abstract in preparing these unaudited interim consolidated financial statements. This change is fully described in Note 3 to the unaudited interim consolidated financial statements.

### **Future Accounting and Reporting Changes**

#### International Financing Reporting Standards

The Accounting Standards Board of the CICA requires all public companies to adopt International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company’s first quarter of fiscal 2012.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- IFRS 1 First-time adoption of International Financial Reporting Standards
- IFRS 2 Share-based payment
- IFRS 6 Exploration and evaluation
- IAS 1 Presentation of financial statements
- IAS 12 Accounting for income taxes
- IAS 16 Property, plant and equipment
- IAS 21 Effects of changes in foreign exchange rates
- IAS 32 financial instruments presentation
- IAS 36 Impairment of assets

As the analysis of each of the key areas progresses, other elements of the Company’s IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes, financial statement note disclosures on information technology, internal controls, contractual arrangements, and employee training. While the Company has begun assessing the impact of the adoption of IFRS on its financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Outstanding Share Data**

Common shares and convertible securities outstanding at October 28, 2009 are as follows:

<b>Securities</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Securities outstanding</b>
Common shares	-	-	17,978,435
Warrants	Up to March 20, 2011	\$0.12 to \$2.00	5,015,385
Options	Up to September 9, 2014	\$0.15 to \$2.80	998,516

### **Subsequent events**

On September 9, 2009, the Company granted 165,000 stock options to Officers, Directors, and Employees, at an exercise price of \$0.28 and expiring on September 9, 2014.

In September and October 2009, 16,500 options expired without exercise and 50,000 options were forfeited.

In October 2009, 100,000 warrants at \$0.12 and 50,000 warrants at \$0.13 were exercised for total proceeds of \$18,500.

### **Risk and uncertainties**

Exploration of minerals and development of mineral properties involve significant risks, many of which are outside of the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access.

#### *Financial risk*

The Company is considered to be in the exploration stage, that it is dependant on obtaining regular financing in order to continue exploration. Despite previous success in acquiring this financing, there is no guarantee of obtaining any future financing, or that it will be available on acceptable terms.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mining exploration companies.

#### *Foreign exchange risk*

Some of the Company's expenditures are in US dollars or in MGA (Magalasy Ariary). Movement in the Canadian dollar against these currencies therefore has a direct impact on the Company's cost base. The Company does not use derivative instruments to reduce its exposure to foreign exchange risks.

#### *Risk on the uncertainty of title*

Although the Company has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

#### *Environmental risk*

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

### **Additional information and continuous disclosure**

This Management's Discussion and Analysis has been prepared as of October 28, 2009. Additional information on the company is available through regular filings of press releases, financial statements and its annual information form on SEDAR ([www.sedar.com](http://www.sedar.com)).

(s) Marc-André Bernier  
Marc-André Bernier, Chief Executive Officer

(s) "Khadija Abounaim"  
Khadija Abounaim, Chief Financial Officer