

**MAJESCOR RESOURCES INC.**  
**(A development stage Company)**  
**Consolidated Financial Statements**  
**February 29, 2008 and February 28, 2007**

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## Management's Responsibility for Financial Statements

To the Shareholders and Directors of Majescor Resources Inc.

The consolidated financial statements for the year ended February 29, 2008, the notes thereto and other financial information contained in the annual report are the responsibility of the management of Majescor Resources Inc. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

Management has developed and maintained a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities to the Directors who approve the consolidated financial statements.

The consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards, on the behalf of the shareholders.

The auditors have full and unrestricted access to the Audit Committee.

(signed) Marc-André Bernier  
Marc-André Bernier, CEO

(signed) Marc Carbonneau  
Marc Carbonneau, CFO

## Auditors' Report

To the Shareholders of  
Majescor Resources Inc.

We have audited the consolidated balance sheets of Majescor Resources Inc. as at February 29, 2008 and February 28, 2007 and the consolidated statements of operations, mineral properties and deferred exploration expenses, deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Raymond Chabot Grant Thornton LLP*

Chartered Accountants,  
Licensed Public Accountants

Ottawa, Canada  
June 12, 2008

**Majescor Resources Inc.**  
(A development stage Company)  
Consolidated Balance Sheets  
As at

	February 29, 2008	February 28, 2007
	\$	\$
		(As restated)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	1,084,874	2,564,011
Marketable securities (Note 7)	1,590,382	-
Accounts receivable	641,100	78,041
Amount due from related parties (Note 11)	-	377,071
Tax credits and mining duties receivable	364,637	273,247
Advances to operators	6,708	101,630
Prepaid expenses	132,717	118,340
	<u>3,820,418</u>	<u>3,512,340</u>
Long term investment (Note 8)	36,000	100,000
Property, plant and equipment (Note 9)	48,881	9,448
Goodwill (Note 5)	30,000	-
Mineral exploration properties (Note 10)	1,110,082	1,028,848
Deferred exploration expenses (Note 10)	3,821,581	5,172,144
	<u>8,866,962</u>	<u>9,822,780</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	408,657	728,267
Amount due to related parties (Note 11)	-	71,488
Amount due to operators	43,235	-
	<u>451,892</u>	<u>799,755</u>
Long term liabilities		
Liability component of debenture (Note 13)	123,139	112,776
	<u>575,031</u>	<u>912,531</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 14)	21,133,723	19,958,235
Warrants (Note 14)	653,782	867,941
Contributed surplus (Note 15)	1,458,917	1,021,608
Equity component of debenture (Note 13)	39,525	39,525
	<u>23,285,947</u>	<u>21,887,309</u>
Accumulated other comprehensive loss (Note 16)	(645,618)	-
Deficit	(14,348,398)	(12,977,060)
	<u>(14,994,016)</u>	<u>(12,977,060)</u>
	<u>8,291,931</u>	<u>8,910,249</u>
	<u>8,866,962</u>	<u>9,822,780</u>

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

On behalf of the Board  
(signed) "Marc-André Bernier"  
Marc-André Bernier, Director

On behalf of the Board  
(signed) "André Audet"  
André Audet, Director

**Majescor Resources Inc.**  
(A development stage Company)  
Consolidated Operations  
For the years ended

	February 29, 2008	February 28, 2007
	\$	\$
		(As restated)
Operating expenses (income)		
Management and consulting fees	391,459	197,307
Salaries and benefits	468,669	172,660
Travel and promotion	68,597	72,947
Report to shareholders	28,231	18,996
Conferences and subscription	32,505	17,695
Stationery and office supplies	9,059	14,214
Professional fees	70,865	80,826
Insurance	14,025	12,537
Bank charges	2,010	3,254
Interest on convertible debenture	19,433	2,301
General expenses	136,998	91,168
Loss (gain) on foreign exchange	5,341	(3,318)
Allowance for bad debt	98,466	-
Amortization of property, plant and equipment	13,861	7,866
Gain on optioning of mineral properties (Note 10)	(32,882)	-
Gain on sale of mineral properties (Note 10)	(3,053,344)	-
Flow-through interest and tax expense (Note 12)	76,226	367,187
Write-down of mineral properties and deferred exploration expenses (Note 10)	2,515,656	1,434,560
Project evaluation	8,719	-
Recovery of exploration expenses	(16,688)	-
	<u>857,206</u>	<u>2,490,200</u>
Loss from operations		
Other income (expenses)		
Interest income (Note 6)	12,052	1,225
Gain on sale of marketable securities (Note 7)	294,535	-
Impairment of long term investment (Note 8)	(324,000)	-
Gain on sale of property, plant and equipment	8,938	-
	<u>(8,475)</u>	<u>1,225</u>
Loss before income taxes	865,681	2,488,975
Income taxes		
Current	505,657	-
Future	-	(711,000)
	<u>505,657</u>	<u>(711,000)</u>
Net loss	<u>1,371,338</u>	<u>1,777,975</u>
Basic and diluted net loss per common share	<u>0.01</u>	<u>0.02</u>
Basic and diluted weighted average number of common shares outstanding	<u>97,636,130</u>	<u>72,422,568</u>

*The accompanying notes are an integral part of these consolidated financial statements. and Note 6 provides other information on consolidated operations.*

**Majescor Resources Inc.**

(A development stage Company)

Consolidated Mineral Properties and Deferred Exploration Expenses  
For the years ended

	February 29, 2008	February 28, 2007
	\$	\$
Balance, beginning of the year	6,200,992	4,658,398
Additions		
Drilling	267,950	671,626
Project consulting	111,896	87,322
Geophysical survey - ground	377,701	132,285
Geophysical survey - airborne	991,603	1,322,805
Geological survey	801,265	1,317,627
Geochemical survey	214,793	31,264
Report preparation	27,901	69,102
Property evaluation	62,878	23,007
Renewal of licenses and permits	487,129	235,398
General field expenses	100,065	233,783
	3,443,181	4,124,219
Contribution of partners	(268,094)	(1,761,485)
Cost of shares acquired from partner	(260,000)	(100,000)
	2,915,087	2,262,734
Write-down of mining properties and deferred exploration expenses	(2,515,656)	(1,434,495)
Acquisition of mining properties	477,055	693,545
Option payments	(404,130)	-
Cost of mining properties sold	(1,536,072)	-
Tax credits and mining duties	(205,613)	20,810
	(1,269,329)	1,542,594
Balance, end of the year	4,931,663	6,200,992

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

**Majescor Resources Inc.**  
(A development stage Company)  
Consolidated Deficit  
For the years ended

	February 29, 2008	February 28, 2007
	\$	\$ (As restated)
Deficit, beginning of the year, as previously reported	12,687,060	11,199,085
Correction of prior period error (Note 3)	290,000	-
Deficit, as restated, beginning of the year	12,977,060	11,199,085
Net loss	1,371,338	1,777,975
Deficit, end of the year	<u>14,348,398</u>	<u>12,977,060</u>

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

**Majescor Resources Inc.**  
(A development stage Company)  
Consolidated Comprehensive Loss  
For the years ended

	February 29, 2008	February 28, 2007
	\$	\$
Net loss for the year	1,371,338	-
Unrealized loss on available-for-sale investments (Note 16)	645,618	-
Comprehensive loss for the year	<u>2,016,956</u>	<u>-</u>

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

**Majescor Resources Inc.**  
(A development stage Company)  
Consolidated Cash Flows  
For the years ended

	February 29, 2008	February 28, 2007
	\$	\$
		(As restated)
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,371,338)	(1,777,975)
Non-cash items		
Amortization of property, plant and equipment	13,861	7,866
Stock based compensation	439,501	69,622
Interest on convertible debenture	10,363	2,301
Allowance for bad debt	98,466	-
Impairment of long term investment	324,000	-
Write-down of mineral properties and deferred exploration expenses	2,515,656	1,434,495
Gain on sale of marketable securities	(294,535)	65
Gain on disposal of mineral properties	(3,053,344)	-
Gain on disposal of property, plant and equipment	(8,938)	-
Gain on optioning of mineral properties	(32,882)	-
Recovery of future income taxes	-	(711,000)
Changes in non-cash working capital items (Note 17)	(54,313)	21,298
Cash flows used in operating activities	<u>(1,413,503)</u>	<u>(953,328)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	9,998	-
Acquisition of property, plant and equipment	(54,354)	(6,091)
Goodwill	(30,000)	-
Proceeds from sale of mineral properties	2,079,415	-
Option payments	317,012	-
Proceeds from sale of marketable securities	558,535	9,435
Mineral properties and deferred exploration expenses	(3,748,601)	(2,842,454)
Tax credits and mining duties received	114,224	585,926
Cash flows used in investing activities	<u>(753,771)</u>	<u>(2,253,184)</u>
<b>FINANCING ACTIVITIES</b>		
Common shares issued	688,137	4,741,650
Share issue costs	-	(270,284)
Convertible debenture	-	150,000
Cash flows from financing activities	<u>688,137</u>	<u>4,621,366</u>
Increase (decrease) in cash and cash equivalents	(1,479,137)	1,414,854
Cash and cash equivalents, beginning of year	<u>2,564,011</u>	<u>1,149,157</u>
Cash and cash equivalents, end of year	<u><u>1,084,874</u></u>	<u><u>2,564,011</u></u>
Non-cash supplemental information:		
Deferred exploration expense included in accounts payable	36,996	404,455
Common shares issued to increase interest in mineral properties	271,000	389,153
Long term investment in exchange of mineral properties	260,000	100,000
Value of marketable securities receivable from Vaaldiam	130,000	-
Value of marketable securities received on sale of properties	2,500,000	-

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

## **Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

### **1. Governing statutes and nature of operations**

Majescor Resources Inc. (the "Company" or "Majescor") was incorporated under the Canada Business Corporations Act (Alberta) on February 23, 1996. The current nature of operations involves acquisition, exploration and development of mineral resource properties. The Company is in the exploration stage and does not derive any revenue from the development of its properties.

Until it is determined that the Company's properties contain mineral reserves or resources that can be economically mined, they are classified as mineral exploration properties. The recoverability of deferred exploration expenses 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.

### **2. Going concern assumption**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

For the year ended February 29, 2008, the Company reported a loss of approximately \$1.4 million and an accumulated deficit of approximately \$14.4 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. Management is pursuing financing activities 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.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate.

### **3. Correction of prior period error**

During the year, it was noted that the Company is potentially liable to its investors for an estimated amount of \$290,000 relating to renounced flow-through expenditures which should have been accrued as of February 28, 2007 (refer to Note 12 for further details). As a result, opening deficit and accounts payables and accrued liabilities were increased by the same amount of \$290,000. In addition for the year ended February 28, 2007 flow-through interest and tax expense was increased by \$290,000.

### **4. Accounting changes**

On March 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of the new section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

## **Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

Effective March 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, "Comprehensive Income"; Section 3251, "Equity"; Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3861, "Financial Instruments - Disclosure and Presentation". These new Handbook sections provide requirements for the recognition and measurement of financial instruments.

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Company remeasures the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of deficit at the beginning of the fiscal year of initial application or as an adjustment of the opening balance of a separate component of accumulated other comprehensive loss, as appropriate. The financial statements of prior fiscal years are not restated.

Section 1530 establishes standards for reporting and display of comprehensive income. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting fiscal year. Pursuant to the transitional provisions of these sections, the Company's financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Company's financial instruments:

- Cash and cash equivalents are classified as held-for-trading financial assets. This change had no impact on the financial statements as at February 29, 2008.
- Marketable securities are classified as available-for-sale financial assets and are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired. The quoted bid price was used to estimate the fair value of the marketable securities at the balance sheet date. Since the Company did not have any marketable securities on March 1, 2007, there was no adjustment to the opening fair value of marketable securities. This change led to a decrease of marketable securities and an increase in comprehensive loss of \$645,618 as at February 29, 2008 and for the year then ended.
- Accounts receivable, Amount due from related parties and Advances to operators are classified as loans and receivables and are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the financial statements as at February 29, 2008.
- The long-term investment represents a share investment in a private company and is classified as an available-for-sale investment. The share investment in a private company is recognized at cost until the financial asset is derecognized or impaired. This change had no impact on the financial statements as at February 29, 2008;
- Accounts payable and accrued liabilities, Amount due to related parties, and Amount due to operators are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. This change had no impact on the financial statements as at February 29, 2008; and
- The liability component of debenture is classified as other financial liabilities and is measured at fair value on initial recognition and subsequently accreted over the life of the convertible debenture. This change had no impact on the financial statements as at February 29, 2008.

## **Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

### **5. Accounting policies**

#### **a) Basis of presentation**

These financial statements, which are expressed in Canadian dollars, have been prepared by management in accordance with accounting principles generally accepted in Canada and include all of the assets, liabilities and expenses of the Company, its wholly-owned Madagascar subsidiaries, Daraina Exploration S.A.R.L. ("Daraina") and Ampanihy Resources S.A.R.L, and its wholly-owned Canadian subsidiary: Tropic Diamonds Inc. All inter-company balances and transactions have been eliminated upon consolidation. Majescor Resources Inc. and its subsidiaries are collectively referred to herein as the "Company" or "Majescor".

In June 2007, the Company purchased the remaining three percent for \$30,000 of its Malagasy subsidiaries: Daraina Exploration S.A.R.L. and Ampanihy Resources S.A.R.L. This acquisition resulted in goodwill of \$30,000. The carrying amount of goodwill is equal to its fair value and no impairment was identified as at February 29, 2008.

#### **b) Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto.

The most significant items requiring the use of management estimates and valuation assumptions are related to the recoverable value of mining assets (mineral exploration properties and deferred exploration expenses) and the ability to continue as a going concern. These estimates and valuation assumptions were made by management using careful judgment, based on the most current geological information available and its planned course of action, as well as on assumptions about future business, economic and capital market conditions. Actual results could differ from estimates used in preparing these financial statements and such differences could be material.

#### **c) Cash and cash equivalents**

Cash and cash equivalents include investments with maturities at the date of acquisition of three months or less and which are readily convertible into cash.

#### **d) Marketable securities**

Marketable securities are measured at fair value with changes in fair value recorded in other comprehensive loss until the marketable securities are derecognized or impaired.

#### **e) Investment income**

Investment income is recognized as it is earned.

#### **f) Property, plant and equipment**

Property, plant and equipment are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

The Company provides for amortization on property, plant and equipment at the following rates:

- Office furniture and equipment – 20% declining balance
- Computer equipment – 30% declining balance
- Computer software – 100% declining balance
- Analysis equipment – 30% declining balance
- Web site development – 30% declining balance

## **Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

### **g) Goodwill**

Goodwill is the excess of the cost of acquired enterprises over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is impaired. Goodwill is allocated to reporting units and any potential goodwill impairment is identified by comparing the carrying amount of a reporting unit with its fair value. To accomplish this, the Company compares the fair value of its reporting units to their carrying amounts. If the carrying amount exceeds the fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

### **h) Mineral exploration properties and deferred exploration expenses**

The Company records its interest in mining properties and areas of geological interest at cost less option payments and other recoveries. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing.

Exploration costs relating to the Company's interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they are related are placed into production, sold, allowed to lapse or abandoned. Management reviews the carrying values of mining properties on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off if the mining properties or projects are sold, allowed to lapse or abandoned. General exploration expenditures not related to specific mining properties are expensed as incurred.

### **i) Environmental and reclamation costs**

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by the application of technically proven and economically feasible measures.

An estimate for the future costs of site restoration is made based upon estimates that consider the anticipated method and extent of site reclamation required to meet legal standards. If required, a provision for the estimated costs is recognized by increasing the carrying amount of the related long-lived asset by the same amount as the liability. Since the Company is not at the production stage yet, no such provision is to be estimated.

Reclamation costs incurred are charged against this provision. The effects of changes in regulations and cost assumptions are recognized when determined.

### **j) Loss per share**

Basic loss per share is computed by dividing the net loss for the year available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The dilutive effect of outstanding stock options and warrants described in Note 14 is reflected in diluted loss per share by application of the treasury stock method.

## **Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

### **k) Share capital**

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

Share issue expenses are recorded as a reduction of share capital when the related shares are issued.

### **l) Stock-based compensation**

The Company measures the compensation cost of stock options issued under employee and non-employee compensation plans using a fair value-based method. Compensation costs are measured at the grant date based on the fair value of the award using Black-Scholes pricing model and are recognized over the related service period as an expense with a corresponding increase to contributed surplus.

### **m) Foreign currency translation**

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in currencies other than the Canadian dollar and integrated foreign operations are translated using the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Expenses are translated at exchange rates in effect during the period with the exception of expenses relating to non-monetary assets and liabilities which are translated at the historical rate. Translation gains or losses are included in the determination of income or loss in the statement of operations in the period in which they arise.

### **n) Income taxes**

The Company accounts for income taxes under the asset and liability method that requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. The Company provides a valuation allowance on net future tax assets when it is more likely than not, that such assets will not be realized.

### **o) Tax credits and mining duties**

The Government of Québec provides a non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. The credit is equal to 12% of the lesser of:

- the amount of the annual loss; and
- the exploration, mineral deposit evaluation and mine development expenses.

The Government of Québec also offers businesses having establishments and that carry on activities in Québec a refundable tax credit for mineral exploration activities, covering up to 45% of exploration expenses.

Tax credits and mining duties which are earned as a result of qualifying mineral exploration expenses, are recognized when the exploration expenses are incurred. They are applied to reduce related mineral exploration expenses in the period recognized.

## Majescor Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

### 6. Information included in consolidated operations

	For the year ended February 29, 2008	For the year ended February 28, 2007
	\$	\$
Interest from available-for-sale financial assets	1,770	1,225
Interest from held-for-trading financial assets	10,282	-

### 7. Marketable securities

	Cost	Unrealized gain (loss)	As at February 29, 2008 Fair value
	\$	\$	\$
1,733,102 common shares of Vaaldiam Resources Inc.	1,500,000	(616,118)	883,882
200,000 common shares of Melkior Resources Inc.	60,000	(13,000)	47,000
60,000 common shares of Santoy Resources Ltd.	60,000	(37,500)	22,500
700,000 common shares of Diamonds North Resources Ltd.	616,000	21,000	637,000
	<u>2,236,000</u>	<u>(645,618)</u>	<u>1,590,382</u>

During the year, the Company sold 300,000 shares of Diamonds North Resources Ltd. for proceeds of \$558,535 and a gain of \$294,535.

### 8. Long term investment

On August 31, 2006, the Company acquired 1,000,000 commons shares of Uranium World Energy Inc. at a price of \$0.10 per share subsequent to the execution of an option agreement between the Company and Uranium World Energy Inc. whereby Uranium World Energy Inc. can acquire an 80% interest in the Company's Baker Lake property uranium rights. On May 15, 2007, the Company acquired another 2,000,000 common shares at a price of \$0.10 per share and a further 600,000 common shares at a price of \$0.10 on October 31, 2007. As at February 29, 2008, the carrying amount of the common shares was reduced to its estimated fair value of \$36,000, and an impairment of \$324,000 was recorded.

### 9. Property, plant and equipment

	Cost	Accumulated Amortization	February 29, 2008 Net Book Value	February 28, 2007 Net Book Value
	\$	\$	\$	\$
Office furniture and equipment	10,392	1,891	8,501	449
Computer equipment	29,827	10,426	19,401	3,517
Computer software	12,462	10,545	1,917	3,045
Analysis equipment	21,546	3,232	18,314	1,367
Web site development	7,485	6,737	748	1,070
	<u>81,712</u>	<u>32,831</u>	<u>48,881</u>	<u>9,448</u>

The cost and accumulated amortization was \$34,058 and \$24,610 respectively as at February 28, 2007.

**Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

**10. Mineral properties and deferred exploration expenses**

	February 29, 2008		February 28, 2007	
	Acquisition Cost	Deferred Exploration Expenses	Acquisition Cost	Deferred Exploration Expenses
	\$	\$	\$	\$
Canada				
Québec				
a) Portage	52,096	447,904	234,884	1,701,823
b) Mirabelli	23,055	1,149,201	-	509,308
c) Lac Laparre	-	-	44,408	82,802
d) Nottaway	-	-	598	48,926
e) South Rae	367,600	829,587	100,000	754
f) Mistassini	931	115,193	1,011	8,039
g) West Minto	186,400	314,603		
Northwest Territories				
h) Banks	-	-	-	435,551
Nunavut				
i) Baker Lake	-	467,788	-	408,255
International				
j) Brauna, Brazil	-	-	2,552	920,897
k) Tres Marias Area, Brazil	-	-	164,895	73,536
l) Madagascar	480,000	497,305	480,500	982,253
	<u>1,110,082</u>	<u>3,821,581</u>	<u>1,028,848</u>	<u>5,172,144</u>

**a) Portage**

On July 6, 2005, the Company signed a memorandum of understanding with Forest Gate Resources Inc. ("Forest Gate"), by which Forest Gate could earn up to 55% interest in Portage. Under the terms of the agreement, Forest Gate was required to spend \$500,000 on claim renewals and exploration in 2005, \$800,000 in 2006, \$1,000,000 in 2007, \$1,200,000 in 2008 and \$1,500,000 in 2009 for a total of 5 million dollars in 5 years. As of February 28, 2007, Forest Gate had spent \$245,488 in claim renewals and \$1,936,473 in exploration expenditures. On May 7, 2007, Forest Gate announced its decision to withdraw from the Portage project, before having met its obligations to acquire a 50% interest in the property.

During the year ended February 29, 2008, the Company recorded a write-down of \$1,145,183 (\$125,652 in acquisition cost and \$1,019,531 in deferred exploration expenses) further to the abandonment of 40% of the Portage property claims. Additionally, a write down of \$549,386 (\$57,136 in acquisition cost and \$492,250 in deferred exploration expenses) was recorded to reflect the estimated net realizable value of the property.

**b) Mirabelli**

In September 2006, the Company entered into an option agreement with De Beers Canada Exploration Inc. ("De Beers") 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. Subsequent to this, the Company can increase its interest to 80% in the gold and base metals by spending an additional \$700,000 on exploration. The Company is the operator of both the diamond and gold/base metals exploration while earning its respective interest. Effective April 1, 2008, the option agreement was terminated and replaced with an acquisition agreement (Note 22).

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### c) Lac Laparre

On February 19, 2007, the Company entered into an agreement to option up to a 66 2/3% interest in the uranium rights on its Lac Laparre property to a Uranium Joint Venture comprised of Santoy Resources Inc. and its 50% partner Melkior Resources Inc. The Company will retain exclusive rights for diamonds. The terms of the Option Agreement call for an exploration work commitment of \$2.5 million over five years (with a guaranteed minimum of \$300,000 in year one), an up-front cash payment of \$50,000, the issuance of 200,000 shares of Melkior and 60,000 shares of Santoy in tranches over a one year period, and the retention of a 1.5% Net Smelter Return royalty interest, one half of which can be purchased at any time prior to commercial production for \$1 million. As at February 29, 2008, the Company received \$50,000 in cash, 200,000 shares of Melkior Resources Inc. and 60,000 shares of Santoy Resources Ltd.

### d) Nottaway

On October 11, 2002, the Company entered into a non-binding letter of intent with BHP Diamonds Inc. with respect to the mineral claims of Nottaway. The Company completed the initial work program of at least \$25,000 on the Nottaway claims and therefore earned a 100% interest in such claims.

As at February 29, 2008, the Company abandoned the property as it no longer fits the Company's development strategy. The Company wrote-off the cost of the property in the amount of \$51,633 (\$598 in acquisition cost and \$51,035 in deferred exploration expenses).

### e) South Rae

On January 31, 2007, the Company signed a letter of intent with Azimut Exploration Inc. regarding South Rae Uranium property, located in the Ungava Region of Northern Quebec. Majescor can acquire a 50% interest by spending \$4.6 million in exploration over a 5-year period and may acquire an additional 15% interest upon delivery of a bankable feasibility study.

To earn its 50% interest, the Company must make cash payments, incur exploration expenses and issue common shares in the following timelines:

	Cash Payments	Exploration Expenses	Common Shares
	\$	\$	
Upon execution of the letter of intent	100,000 (1)	-	710,000 (1)
On or before January 31, 2008	83,000 (1)	600,000 (1)	710,000 (1)
On or before January 31, 2009	50,000	600,000	-
On or before January 31, 2010	50,000	900,000	-
On or before January 31, 2011	50,000	1,000,000	-
On or before January 31, 2012	-	1,500,000	-
	<u>333,000</u>	<u>4,600,000</u>	<u>1,420,000</u>

(1) Each of these cash payments, exploration expenses and common shares were paid, incurred or issued on or before the dates noted in the agreement.

### f) Mistassini

In March 2007, the Company entered into an agreement with its joint-venture partner Superior Diamonds Inc. to acquire 100% of the uranium rights on the Mistassini property located in the Otish Mountains district of Quebec. Superior Diamonds will retain 100% of the diamonds rights on the property. The terms of the Agreement, which is subject to regulatory approval, stipulate that in exchange for providing 100% rights for uranium to Majescor, Superior Diamonds will retain 100% diamonds rights and a 2% Yellow Cake Royalty for uranium. Majescor retains a 2% royalty for diamonds. If minerals other than diamonds or uranium are discovered on the property, Superior Diamonds Inc. will have a 50.5% interest and Majescor will have a 49.5% interest in such minerals, and the parties shall jointly explore and exploit for

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such minerals. During the year ended February 29, 2008 the Company recorded a write-down of \$23,040 further to the abandonment of 8.4% of the Mistassini property claims.

In February 2008, the Company signed a Letter of Intent allowing Strateco Resources Inc. to acquire an option to earn an undivided 60% interest in Majescor's uranium rights by incurring a total of \$1.3 million in exploration expenditures over three years.

	Exploration Expenses
	\$
On or before February 14, 2008	267,012 (1)
On or before February 14, 2009	232,988
On or before February 14, 2010	400,000
On or before February 14, 2011	400,000
	<u>1,300,000</u>

(1) Strateco reimbursed the Company in April 2008 for the cost of the drilling program completed in December 2007.

### g) West Minto

In March 2007, the Company signed a letter of intent with Azimut Exploration Inc. regarding the West Minto Uranium property, located in the Nunavik District of Northern Quebec. The Company can acquire a 50% interest in the property by spending \$3.8 million in exploration over a 5-year period, including \$500,000 in year-one. The Company can further increase its interest in the project to 65% upon delivery of a bankable feasibility study.

To earn its 50% interest, the Company must make cash payments, incur exploration expenses and issue common shares in the following timelines:

	Cash Payments	Exploration Expenses	Common Shares
	\$	\$	
Upon execution of the letter of intent	100,000 (1)	-	270,000 (1)
On or before March 31, 2008	50,000 (1)	500,000 (1)	270,000 (1)
On or before March 31, 2009	50,000	600,000	-
On or before March 31, 2010	50,000	800,000	-
On or before March 31, 2011	50,000	900,000	-
On or before March 31, 2012	-	1,000,000	-
	<u>300,000</u>	<u>3,800,000</u>	<u>540,000</u>

(1) Each of these cash payments, exploration expenses and common shares were paid, incurred or issued on or before the dates noted in the agreement.

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### **h) Banks**

On July 20, 2007, the Company sold its 50% interest in the Banks Island property to Diamonds North Resources Ltd. ("Diamonds North") for 1,000,000 common shares valued at \$880,000. The agreement with Diamonds North also provides that the Company will receive 1,000,000 stock purchase warrants at \$1.50 valid for two years if a kimberlite with a minimum 200-m diameter is identified over a 12-hectare identified geophysical target. The Company will also keep a 1.5% royalty on the diamond and any other mineral substance found on the 22 claims of the property.

### **i) Baker Lake**

In August 2006, the Company entered into an option agreement with Uranium World Energy Inc. whereby Uranium World Energy Inc. can acquire an 80% interest in the Company's Baker Lake property uranium rights which had previously been optioned by the Company from De Beers Canada Inc. The property consists of two continuous claim blocks totaling 19 permits which are still held by De Beers Canada Exploration Inc. To earn its 80% interest, Uranium World Energy Inc. must incur \$640,000 in exploration expenses, issue 3,600,000 of its common shares to the Company and have its common shares traded in the TSX Venture Exchange no later than January 31, 2007. As the last condition was not satisfied, the Option Agreement was terminated effective April 1, 2008 (Note 22).

### **j) Brauna, Brazil**

On March 1, 2007, the Company sold its 40% interest in the Brauna property to Vaaldiam Resources Ltd. ("Vaaldiam") for a cash consideration of \$2,000,000, 1,733,102 common shares valued at \$1,500,000 and 1% Gross Sales Royalty right on diamond production from the property. The Company realized a net gain of \$2,050,310 on the sale of this property. As a result of the sale, the Company paid \$505,657 in foreign taxes and incurred \$20,585 in professional fees.

### **k) Tres Marias Area, Brazil**

Effective January 25, 2008, Majescor signed a purchase and sale agreement with Vaaldiam Resources Ltd. ("Vaaldiam") for the acquisition of Majescor's 100% interest in the Tres Marias property, for a cash payment of \$100,000 and common shares of Vaaldiam. As at February 29, 2008, the total proceeds of \$230,000 were recorded in accounts receivable. On June 10, 2008, the Company received \$100,000 in cash and 244,023 common shares of Vaaldiam.

During the year ended February 29, 2008, the property was written-down by \$78,916 (\$32,008 in acquisition cost and \$46,908) further to the review of the property's carrying value to reflect its estimated net realizable value.

### **l) Madagascar**

The Company holds a 100% interest in four gold and base metal properties: Daraina-extension, Analalava, Ankaramy and Besakoa.

In February 2008, the Company signed a Letter of Intent with Sunridge Gold Corp ("Sunridge") by which Sunridge can acquire up to a 100% interest in four gold and base metal properties held by Majescor in Madagascar: Besakoa, Daraina, Ankaramy and Analalava. 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.

During the year ended February 29, 2008, the Company recorded a write-down of \$667,499 (\$500 in acquisition cost and \$666,999 in deferred exploration expenses) further to the abandonment of certain projects claims in Madagascar.

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### **11. Related party transactions**

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

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 year, the cost of shared salaries and benefits was \$155,792 (2007 - \$211,688) and rent and office expenses were \$36,987 (2007 - \$16,560). Included in Amount due to related parties is \$Nil due to Everton Resources Inc. (\$71,488 as at February 28, 2007). Also, in 2007, the Company invoiced, at cost, Everton Resources Inc. for the exploration expenses incurred on Mirabelli project for the gold aspect. Included in amount due from related parties is \$Nil due from Everton Resources Inc. (\$60,308 as at February 28, 2007).

Under a joint venture agreement between the Company and Uranium World Energy Inc (in which the Company retains a participation and shares a common director and CFO), the Company is the operator for Uranium project. All exploration expenditures incurred on the project and paid by the Company were recovered in addition to 10% management fees from Uranium World Energy Inc. Included in amount due from related parties is \$98,466 due from Uranium World Energy Inc. (\$233,932 as at February 28, 2007). As at February 29, 2008, the Company recorded a 100% allowance for bad debt for this amount.

Under an agreement between the Company and its joint venture partner Forest Gate Resources Inc. (which shared a common Director until May 2007), the Company was the operator for Portage project until May 2007. All exploration expenditures incurred on the project and paid by the Company were recovered from Forest Gate Resources Inc. in addition to 5%-10% management fees on these expenditures. Included in amount due from related parties is \$Nil due from Forest Gate Resources Inc. (\$82,831 as at February 28, 2007).

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 related parties are without interest and terms of repayment.

### **12. Flow-through interest and tax expense**

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month.

During fiscal 2006, the Company filed for flow-through renunciations totaling \$1,352,650 and recorded renounced exploration expenditures of \$1,352,650 as a reduction of share capital and an increase in future income tax liability.

As at December 31, 2006, the Company had incurred \$718,256 of the required flow-through expenditures and a \$77,187 Part XII.6 tax expense on the monthly unspent balance of flow-through funds. Since the Company had not spent the entire \$1,352,650 of flow-through funds by December 31, 2006, and as a result of indemnifications provided to investors, the Company is potentially liable to its investors for an estimated amount of \$315,000 which has been accrued as a liability.

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### 13. Convertible debenture

On January 25, 2007, the Company completed a private placement of unsecured convertible debenture of \$150,000 to fund its Mirabelli project. The debenture matures on January 25, 2010 and bears interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. The principal is convertible at the option of the holder into common shares of the Company at \$0.17 per unit. Each unit consists of one common share and one share subscription warrant entitling the owner to subscribe to one common share of the Company for 24 months at a price of \$0.20.

The debenture is accounted for in accordance with its substance and is presented in the financial statements in its component parts, measured at their respective fair values at the time of issue. The liability component has been calculated as the present value of the required principal and interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued.

	February 29, 2008		February 28, 2007	
	Liability component	Equity component	Liability component	Equity component
		\$		\$
Balance – beginning of year	112,776	39,525	-	-
Convertible debenture	-	-	110,475	39,525
Interest accrued (1)	19,433	-	2,301	-
Interest paid	(9,070)	-	-	-
Balance – end of year	<u>123,139</u>	<u>39,525</u>	<u>112,776</u>	<u>39,525</u>

(1) Interest expense on the liability component also includes the accretion of the liability component.

### 14. Share capital

#### a) Authorized

Unlimited number of common shares without par value.

#### Issued

	Number of shares	\$
Balance - February 28, 2006	59,018,639	16,622,838
Shares issued for cash (net of issue costs)	29,586,156	3,094,684
Shares issued on the exercise of warrants	2,127,000	558,026
Shares issued on the exercise of options	20,000	4,534
Shares issued to increase participation in mineral properties	2,992,300	389,153
Tax effect of flow-through shares	-	(711,000)
Balance - February 28, 2007	93,744,095	19,958,235
Shares issued on the exercise of warrants	3,709,500	888,618
Shares issued on the exercise of options	70,000	15,870
Shares issued to increase participation in mineral properties	1,690,000	271,000
Balance - February 29, 2008	<u>99,213,595</u>	<u>21,133,723</u>

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### b) Warrants

	February 29, 2008			February 28, 2007		
	Number of warrants	Weighted average exercise price	Black-Scholes Value	Number of warrants	Weighted average exercise price	Black-Scholes Value
		\$	\$		\$	\$
Balance – beginning of year	15,158,706	0.20	867,941	7,730,166	0.34	538,916
Granted	-	-	-	16,195,206	0.21	465,937
Exercised	(3,709,500)	0.18	(210,981)	(6,639,666)	0.38	(132,626)
Expired	(50,250)	0.45	(3,178)	(2,127,000)	0.20	(4,286)
Balance – end of year	<u>11,398,956</u>	<u>0.20</u>	<u>653,782</u>	<u>15,158,706</u>	<u>0.20</u>	<u>867,941</u>

As at February 29, 2008 the following stock purchase warrants were outstanding and exercisable:

Number	Exercise Price	Black-Scholes Value	Expiry Date
	\$	\$	
2,220,000	0.20	95,506	April 4, 2008
177,800	0.15	9,781	April 4, 2008
7,847,310	0.20	505,054	August 31, 2008
1,153,846	0.20	43,441	December 4, 2008
<u>11,398,956</u>		<u>653,782</u>	

### c) Stock option plan

The Company has a stock option plan approved by its shareholders. At the 2006 annual general meeting, the shareholders approved a resolution to increase the number of shares reserved for issuance under its stock option plan, subject to regulatory approval, from 4,793,848 options to 9,374,409 options, representing 10% of the outstanding shares as at February 28, 2007. A maximum of 9,374,409 stock options (maximum of 5% of the number of common shares outstanding in favour of one person) may be granted. These options may be granted to the Company's employees, officers, directors, and non-employees, subject to regulatory terms and approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option. Options have a maximum term of ten years and terminate 60 days following the termination of the optionee's employment, except in cases of retirement or death. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

	February 29, 2008		February 28, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning of year	3,603,162	0.15	3,778,162	0.15
Granted	4,205,000	0.21	500,000	0.15
Exercised	(70,000)	0.15	(20,000)	0.15
Cancelled	(300,000)	0.28	(655,000)	0.15
Balance – end of year	<u>7,438,162</u>	<u>0.18</u>	<u>3,603,162</u>	<u>0.15</u>

As at February 29, 2008 the following options were outstanding and exercisable:

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Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable
\$0.15-\$0.17	5,753,162	3.89 years	4,195,662
\$0.18-\$0.28	<u>1,685,000</u>	4.08 years	<u>1,685,000</u>
	<u><u>7,438,162</u></u>		<u><u>5,880,662</u></u>

The outstanding and exercisable options as at February 28, 2007 were 3,453,162.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the year ended February 29, 2008	For the year ended February 28, 2007
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	80%	70%
Risk-free interest rate	4.00%	4.11%
Expected life of options	5 years	5 years
Weighted average fair value	\$0.15	\$0.07

The Company has recorded the following amounts as stock based compensation:

	For the year ended February 29, 2008	For the year ended February 28, 2007
	\$	\$
Management and consulting fees	194,554	46,722
Salaries and benefits	<u>244,947</u>	<u>22,900</u>
Total stock based compensation	<u><u>439,501</u></u>	<u><u>69,622</u></u>

**15. Contributed surplus**

Contributed surplus consists of the following components:

	February 29, 2008	February 28, 2007
	\$	\$
Balance – beginning of year	1,021,608	466,889
Stock options granted	504,322	52,342
Stock options exercised	(5,370)	(1,534)
Stock options cancelled	(64,821)	-
Adjustment - repriced options	-	17,280
Black-Scholes value of expired warrants	<u>3,178</u>	<u>486,631</u>
Balance – end of year	<u><u>1,458,917</u></u>	<u><u>1,021,608</u></u>

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**16. Accumulated other comprehensive loss**

Accumulated other comprehensive loss consists of the following components:

	For the year ended February 29, 2008	For the year ended February 28, 2007
	\$	\$
Balance, beginning of year	-	-
Unrealized loss on marketable securities	969,618	-
Impairment of long term investment transferred to the statement of operations	(324,000)	-
	<u>645,618</u>	<u>-</u>
Balance, end of year	<u>645,618</u>	<u>-</u>

**17. Changes in non-cash working capital items**

Changes in the non-cash working capital consists of the following items:

	For the year ended February 29, 2008	For the year ended February 28, 2007
	\$	\$
Accounts receivable	(433,059)	(26,287)
Amount due from related parties	278,605	144,241
Advances to operators	94,922	(101,630)
Prepaid expenses	(14,377)	(110,178)
Accounts payable and accrued liabilities	47,849	198,403
Amount due to related parties	(71,488)	(60,972)
Amount due to operators	43,235	(22,279)
Total changes in non-cash working capital	<u>(54,313)</u>	<u>21,298</u>

**18. Income taxes**

A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows:

	February 29, 2008	February 28, 2007
	\$	\$
Loss before income taxes	(865,681)	(2,198,975)
Expected statutory rate (Federal 21.68%, Quebec 10.15%)	31.83%	32.02%
Expected recovery of income tax	(275,546)	(704,112)
Permanent differences	494,852	499,781
Temporary differences	6,908	(60,495)
Valuation allowance	(250,858)	220,047
Foreign income taxed at other than Canadian statutory rates	505,657	-
Renounced expenditures	-	(711,000)
Effect of tax rate changes	<u>24,644</u>	<u>44,779</u>
Provision (recovery) of income taxes	<u>505,657</u>	<u>(711,000)</u>

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The primary temporary differences which give rise to future income taxes (recovery) at February 29, 2008 and February 28, 2007 are as follows:

	February 29, 2008	February 28, 2007
	\$	\$
Future tax assets		
Income tax loss carry forwards	995,110	1,245,968
Share issue costs	78,279	151,134
Financing fees	1,314	1,970
Resource properties	500,227	69,381
Tangible and intangible assets	10,044	8,577
	<u>1,584,974</u>	<u>1,477,030</u>
Less: Valuation Allowance	<u>(1,426,802)</u>	<u>(766,030)</u>
Net future tax assets	<u>158,172</u>	<u>711,000</u>
Future tax liabilities		
Tax effect of flow-through shares	-	(711,000)
Investments	<u>(158,172)</u>	-
Net future tax asset (liability)	<u><u>-</u></u>	<u><u>-</u></u>

As at February 29, 2008, the Company has income tax loss carryforwards as follows:

	Federal	Quebec
	\$	\$
2009	412,000	492,000
2010	543,000	543,000
2014	442,000	411,000
2015	629,000	592,000
2026	627,000	572,000
2027	827,000	642,000
2028	545,000	39,000
	<u>4,025,000</u>	<u>3,291,000</u>

**19. Segmented information**

The Company has determined that it only operates in one segment, being acquisition, exploration and development of mineral properties for economically recoverable reserves. Long term assets segmented by geographical area are as follows:

	February 29, 2008	February 28, 2007
	\$	\$
Canada	4,039,238	3,685,808
Brazil	-	1,161,879
Madagascar	1,007,306	1,462,753
Total	<u>5,046,544</u>	<u>6,310,440</u>

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### **20. Financial Risk Management Objectives and Policies, and Financial Risks**

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

#### **Exchange risk**

The Company is exposed to exchange risk due to cash, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars or in MGA (Magalasy Ariary). As at February 29, 2008, financial assets in foreign currency represent cash and accounts receivable totaling MGA 61,803,056 and USD \$3,202 (MGA 7,323,550 and US \$2,846 as at February 28, 2007) and accounts payable and accrued liabilities in foreign currency totalling US \$6,413 (US \$3,923 as at February 28, 2007).

The Company does not use forward exchange contracts to reduce exchange risk exposure.

#### **Interest rate risk**

The banker's acceptances and liability component of debenture bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

The Company does not use derivative financial instruments to reduce its interest rate risk exposure.

#### **Credit risk**

Generally, the carrying amount on the balance sheet of the Company's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. The Company's credit risk is primarily attributable to its marketable securities, accounts receivable, advances to operators, amounts due from related parties and long term investment. These amounts are managed and analyzed on an ongoing basis.

#### **Liquidity risk**

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has financing for a sufficient authorized amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

#### **Fair value of financial instruments**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, amount due from related parties, long term investment, accounts payable and accrued liabilities, amount due to related parties, amount due to operators and convertible debenture. The fair value of cash and cash equivalents, accounts receivable, amount due from related parties, accounts payable and accrued liabilities, amount due to related parties and amount due to operators approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. The fair value of marketable securities is based on the current bid price.

## **Majescor Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

February 29, 2008 and February 28, 2007

### **21. Future Accounting standards**

Going Concern – Inclusion of Guidelines in Section 1400, “General Standards of Financial Statement Presentation”

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, “General Standards of Financial Statement Presentation”, in order to require that management make an assessment of the Company’s ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of March 1, 2008. The new requirements only address disclosures, and will have no impact on the Company’s financial results.

Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants published new Section 1535, “Capital Disclosures”. The new section establishes standards for disclosing information about an entity’s capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of March 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company’s financial results.

Financial Instrument Disclosures

In December 2006, the Canadian Institute of Chartered Accountants issued two new accounting standards: Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”. These new sections which replace Section 3861 “Financial Instruments – Disclosure and Presentation”, revise and enhance disclosure requirements, carrying forward existing presentation requirements. These place increased emphasis on disclosures concerning the nature and management of risk arising from financial instruments. The Company will implement these sections as of March 1, 2008. The new requirements only address disclosure, and will have no impact on the financial results.

### **22. Subsequent events**

Effective March 31, 2008, the option agreement between the Company and “De Beers” on the Mirabelli property was terminated, and replaced with an acquisition agreement effective April 1, 2008, which grants 100% ownership of the property to the Company.

Effective April 1, 2008, and by a resolution of the Company’s Board of Directors, the Option Agreement between the Company and Uranium World Energy Inc. (“UWE”) was terminated and UWE ceased to have any interest in the Baker Lake property or any right to access the property, as UWE did not meet the condition stated in the option agreement which consisted in having UWE common shares trade in TSX Venture Exchange no later than March 31, 2008.

On April 4, 2008, 2,397,800 warrants expired without exercise.

### **23. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the current year’s presentation.