MAJESCOR RESOURCES INC.

(An exploration stage Company)

Consolidated Financial Statements

February 28, 2010 and 2009

Management's Responsibility for Financial Statements

To the Shareholders and Directors of Majescor Resources Inc.

The consolidated financial statements and the notes thereto for the years ended February 28, 2010 and 2009 are the responsibility of the management of Majescor Resources Inc. These consolidated 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 consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the shareholders.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors carries out this responsibility through its Audit Committee. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with the external auditors, with and without management being present, to review the financial statements and to discuss audit and internal control related matters.

On recommendation of the Audit Committee, the Board of Directors approved the Company's consolidated financial statements.

(signed) Daniel Hachey
Daniel Hachey, CEO

(signed) Khadija Abounaim
Khadija Abounaim, CFO

June 21, 2010

Raymond Chabot Grant Thornton

Auditors' Report

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To the Shareholders of
Majescor Resources Inc.

We have audited the consolidated balance sheets of Majescor Resources Inc. as at February 28, 2010 and 2009 and the consolidated statements of operations, mineral exploration properties and deferred exploration expenses, comprehensive loss and deficit, 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 28, 2010 and 2009 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 21, 2010

Majescor Resources Inc.
(An exploration stage Company)
Consolidated Balance Sheets
As at February 28

	2010	2009
		(Restated (Note 4i))
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 6)	111,480	355,694
Marketable securities (Note 8)	97,604	42,696
Commodity taxes receivable	33,802	27,731
Tax credits and mining duties receivable	222,988	715,677
Prepaid expenses	28,654	6,853
	494,528	1,148,651
Long-term investments (Note 9)	1,304,652	-
Property, plant and equipment (Note 10)	71,535	135,236
Mineral exploration properties (Note 11)	24,520	284,817
Deferred exploration expenses (Note 11)	249,999	1,127,025
	2,145,234	2,695,729
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	396,023	343,718
Amount due to a related party (Note 12)	-	43,006
	396,023	386,724
Long-term liabilities		
Liability component of debenture (Note 14)	-	136,290
	396,023	523,014
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	22,639,384	21,558,959
Warrants (Note 15)	184,491	435,787
Contributed surplus (Note 16)	2,239,419	1,690,292
Equity component of debenture (Note 14)	-	39,525
	25,063,294	23,724,563
Accumulated other comprehensive income (loss) (Note 17)	25,028	(4,380)
Deficit	(23,339,111)	(21,547,468)
	(23,314,083)	(21,551,848)
	1,749,211	2,172,715
	2,145,234	2,695,729

Going concern assumption (Note 2)

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

On behalf of the Board,

(signed) "Daniel Hachey"
Daniel Hachey, Director

(signed) "Alain Krushnisky"
Alain Krushnisky, Director

Majescor Resources Inc.
(An exploration stage Company)
Consolidated Operations
For the years ended February 28

	2010	2009
	$	$
Expenses		
Management and consulting fees	191,723	170,920
Stock-based compensation	138,622	143,320
Salaries and benefits	31,569	184,134
Travel and promotion	96,828	39,526
Report to shareholders	16,221	57,660
Professional fees	53,545	211,486
General expenses	124,813	181,035
Amortization of property, plant and equipment	6,049	33,475
	659,370	1,021,556
Other items		
Interest and other income	(1,129)	(13,900)
Interest on convertible debenture (Note 14)	31,710	31,204
Provision for uncollectible tax credits	79,512	-
Recovery of bad debt	-	(203)
(Gain) loss on sale of marketable securities (Note 8)	(81,405)	1,431,577
Impairment of property, plant and equipment (Note 10)	37,289	-
Impairment of marketable securities	-	149,324
Impairment of long term investment	-	36,000
Loss on sale of property, plant and equipment	3,527	1,896
Impairment of goodwill	-	30,000
Flow-through interest and tax expense	7,680	25,810
Write-down of mineral exploration properties and deferred exploration expenses (Note 11)	1,057,323	4,477,061
(Gain) loss on foreign exchange	(2,234)	831
	1,132,273	6,169,600
Loss before income taxes	1,791,643	7,191,156
Income taxes		
Current	-	7,914
Net loss	1,791,643	7,199,070
Basic and diluted net loss per common share	0.11	0.72
Basic and diluted weighted average number of common shares outstanding	16,540,831	10,063,522

The accompanying notes are an integral part of these consolidated financial statements and Note 7 provides other information on consolidated operations.

Majescor Resources Inc.

(An exploration stage Company)

Consolidated Mineral Exploration Properties and Deferred Exploration Expenses

For the years ended February 28

	2010	2009
	$	$
Balance, beginning of the year	1,411,842	4,931,663
Additions		
Drilling	-	310,050
Project consulting	-	38,348
Geophysical survey	-	18,826
Geological survey	-	694,395
Geochemical survey	-	591
Report preparation	-	51,144
Property evaluation	-	67,394
Renewal of licenses and permits	-	239,611
General field expenses	-	42,044
	-	1,462,403
Contribution from partners	-	(83,982)
Write-down of mineral exploration properties and deferred exploration expenses (Note 11)	(1,057,323)	(4,477,061)
Acquisition of mineral exploration properties	-	144,190
Option payments (Note 11)	(80,000)	(41,500)
Tax credits and mining duties	-	(523,871)
	(1,137,323)	(3,519,821)
Balance, end of the year	274,519	1,411,842

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

Majescor Resources Inc.
(An exploration stage Company)
Consolidated Comprehensive Loss and Deficit
For the years ended February 28

	2010	2009
	$	$
COMPREHENSIVE LOSS		
Net loss for the year	1,791,643	7,199,070
Other comprehensive loss, net of future income taxes of $Nil (Note 17)		
Changes in fair value of available-for-sale investments	(110,813)	975,663
Impairment of available-for-sale investments	-	(185,324)
Realized gain (loss) on sale of marketable securities transferred to consolidated operations (Note 8)	81,405	(1,431,577)
Comprehensive loss for the year	1,762,235	6,557,832

	2010	2009
DEFICIT		
Balance, beginning of the year	21,547,468	14,348,398
Net loss	1,791,643	7,199,070
Balance, end of the year	23,339,111	21,547,468
Accumulated other comprehensive (income) loss (Note 17)	(25,028)	4,380
Total accumulated deficit and other comprehensive loss	23,314,083	21,551,848

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

Majescor Resources Inc.
(An exploration stage Company)
Consolidated Cash Flows
For the years ended February 28

	2010	2009
	$	$
OPERATING ACTIVITIES		
Net loss	(1,791,643)	(7,199,070)
Non-cash items		
Amortization of property, plant and equipment	6,049	33,475
Stock-based compensation	138,622	143,320
Interest on convertible debenture	31,710	22,152
Unrealized (gain) loss on foreign exchange	(1,117)	510
Provision for uncollectible tax credits	79,512	-
Allowance for bad debt	-	20,131
Write-down of mineral exploration properties and deferred exploration expenses	1,057,323	4,477,061
Loss on sale of property, plant and equipment	3,527	1,896
Impairment of property, plant and equipment	37,289	-
Impairment of marketable securities	-	149,324
Impairment of goodwill	-	30,000
(Gain) loss on sale of marketable securities	(81,405)	1,431,577
Impairment of long term investment	-	36,000
Changes in non-cash working capital items (Note 18)	(8,922)	524,386
Cash flows used in operating activities	(529,055)	(329,238)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	135,905	767,023
Proceeds from disposal of property, plant and equipment	16,836	11,475
Acquisition of property, plant and equipment	-	(133,201)
Long-term investments	(1,004,652)	-
Option payments	-	12,500
Mineral exploration properties and deferred exploration expenses	(35,703)	(1,423,667)
Tax credits and mining duties received	440,346	172,831
Cash flows used in investing activities	(447,268)	(593,039)
FINANCING ACTIVITIES		
Units issued	650,000	200,000
Common shares issued on the exercise of warrants	98,500	-
Share issue costs	(16,391)	(6,903)
Cash flows from financing activities	732,109	193,097
Decrease in cash and cash equivalents	(244,214)	(729,180)
Cash and cash equivalents, beginning of the year	355,694	1,084,874
Cash and cash equivalents, end of the year (Note 6)	111,480	355,694
Non-cash supplemental information:		
Deferred exploration expenses included in accounts payable	7,038	42,741
Common shares issued to increase interest in mineral exploration properties	-	93,200
Common shares issued to acquire interest in investee company	300,000	-
Common shares issued in payment of interest on debenture	18,000	9,000
Common shares issued in payment of principal on debenture	150,000	-
Fair value of exercised warrants	26,262	-
Fair value of expired warrants	370,980	88,055
Warrants issued in private placement	145,946	-
Marketable securities received on sale of mineral exploration properties	-	130,000
Marketable securities received on optioning of mineral exploration properties	80,000	29,000

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

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 nature of operations involves the 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 mineral exploration property costs and 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.

On December 4, 2008, the Company consolidated its issued and outstanding common shares on a one common share for ten common shares basis. As a result, all references to shares in these consolidated financial statements have been restated to reflect this share consolidation.

2. Going concern assumption

These consolidated 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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, as explained in the following paragraph.

As at February 28, 2010, the Company had a working capital of $98,505, including $111,480 in cash. Subsequent to year end, the Company sold marketable securities for net proceeds of $77,445. As a result of the Company’s limited financial resources, the Company currently has insufficient cash resources to meet all of its general and administrative costs and undertake exploration programs on its exploration properties for the next twelve months. As mentioned in Note 9, the Company is awaiting the completion of the acquisition of SIMACT in order to close a private placement for gross proceeds of up to $5,000,000.

The Company requires additional financing, through various means including but not limited to equity financing, to undertake exploration programs on its properties and/or to acquire additional exploration properties and meet all of its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

The carrying amounts of assets, liabilities and expenses presented in these consolidated financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments to the carrying value of assets and liabilities and expenses and balance sheet classification, which could be material, may be necessary.

3. Accounting changes

On March 1, 2009, in accordance with the applicable transitional provisions, the Company adopted Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets. Publication of this new section also resulted in the withdrawal of Section 3450, Research and Development Costs and consequential amendments to certain recommendations in the CICA Handbook. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The application of this new section has no impact of the Company's financial statements.

During the year, in accordance with the applicable transitional provisions, the Company adopted the amendments of the CICA to Section 3862, "Financial Instruments – Disclosures", to include additional disclosure about fair value measurements recognized in the balance sheet as well as enhanced liquidity risk disclosure (Note 5). These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data. The new requirement only addresses disclosures, and has no impact on the Company's financial results.

Effective March 1, 2009, the Company changed its accounting policy for allocating the proceeds from unit placements from the residual method to the proportional method, as it best reflects the fair value of shares and warrants issued as part of a unit placement (Note 4i)).

<u>Future accounting standards</u>

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In October 2008, the CICA issued Handbook Sections 1582, "Business Combinations", 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests". CICA 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed, CICA 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests, and CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company on March 1, 2011. The Company is currently evaluating the impact of the adoption of these new standards.

4. Accounting policies

a) Basis of presentation

These consolidated 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".

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.

4. Accounting policies (continued)

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), the ability of the Company to continue as a going concern and the valuation of the stock-based compensation, warrants and tax credits and mining duties receivable. The estimates and valuation assumptions related to the recoverable value of mining assets 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. The estimates that are inherent in the calculation of stock-based compensation and warrants are based on management's current judgment of future dividend disbursements, volatility of the Company's stock, interest rates, and the life of the options and warrants. Actual results could differ from estimates used in preparing these consolidated financial statements and such differences could be material.

c) Financial assets and liabilities

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from loans and receivables increase the carrying amount of the related financial assets. Transaction costs from other financial liabilities reduce the carrying amount of the related financial liabilities. Subsequently, financial assets and liabilities are measured and recognized as follows:

Cash and cash equivalents are classified as held for trading and are measured at fair value with changes in the fair value recognized in operations in the periods in which they arise.

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 long-term investments represent share investments in private companies and are classified as available-for-sale investments. The share investments in private companies are recognized at cost less impairment. Any impairment loss is directly recognized in consolidated operations.

Accounts payable and accrued liabilities and amount due to related party are classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method.

The liability component of debenture is classified as other financial liabilities and is measured at fair value on initial recognition with subsequent measurement at amortized cost using the effective interest rate method.

d) Cash and cash equivalents

Cash and cash equivalents include investments in savings accounts, bankers' acceptances and treasury bills with maturities at the date of acquisition of three months or less and which are readily convertible into cash.

e) 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.

4. Accounting policies (continued)

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 and drill equipment – 30% declining balance
- Web site development – 30% declining balance

f) 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.

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.

Mineral exploration properties are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that their carrying value may not be recoverable. The Company performs a recoverability test when estimates of future cash flows are available. In the event that management has insufficient information about its mineral exploration properties to estimate future cash flows to test for recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount without performing a test for recoverability. To test for impairment, management, directors and technical advisors constantly review the merits of each mineral property interest to assess whether the property merits further exploration and development expenditures. Empirical evidence such as geochemical analysis, drilling results, assays, mapping and field observation are the primary sources of evidence that are then assessed against other factors such as commodity markets, exchange rates, and closeness to other known operations when making decisions on whether impairment exists.

Although the Company has taken steps to verify title to the mineral claims 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. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

g) 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.

Reclamation costs incurred are charged against this provision. The effects of changes in regulations and cost assumptions are recognized when determined. As at February 28, 2010 and February 29, 2009, there was no material asset retirement obligation.

4. Accounting policies (continued)

h) 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 15 is not reflected in diluted loss per share by application of the treasury stock method as they are anti-dilutive.

i) 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 based upon the trading price of those shares on the TSX.V the day before the transaction date.

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

Effective March 1, 2009, the Company changed its accounting policy for allocating the proceeds from unit placements from the residual method to the proportional method, as it best reflects the fair value of shares and warrants issued as part of a unit placement. Under the proportional method, proceeds from unit placements are allocated between shares and warrants issued according to their fair value. The comparative figures for the year ended February 28, 2009 have been restated to reflect adjustments made as a result of this change in accounting policy. The accumulated effect of the change has been reflected in the opening balances for the year ended February 28, 2009.

The following is a reconciliation of the Company's consolidated balance sheet as at February 28, 2009, reflecting the impact of the restatement:

As at	February 28, 2009			March 1, 2008		
	As previously Reported	Adjustment	As Restated	As previously Reported	Adjustment	As Restated
	$	$	$	$	$	$
Share capital	21,224,338	334,621	21,558,959	21,133,723	265,206	21,398,929
Warrants	753,177	(317,390)	435,787	653,782	(265,206)	388,576
Contributed surplus	1,707,523	(17,231)	1,690,292	1,458,917	-	1,458,917
	23,685,038	-	23,685,038	23,246,422	-	23,246,422

Had the Company applied the residual method in the current year, the warrants issued as part of the unit placements would have been valued at $243,776.

j) 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. Under the fair value method, stock-based payments to employees are measured at fair value and amortized over the vesting period and stock-based payments to non-employees are measured at either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, and are recognized over the vesting period as long as services continue to be provided. If the stock options or agent options are exercised, the proceeds are credited to share capital and the fair value of the options or agent options exercised is reclassified from contributed surplus to share capital.

4. Accounting policies (continued)

k) 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.

l) 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.

m) 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.

5. Financial instruments, risk management and capital management

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, long-term investments, accounts payable and accrued liabilities, amount due to related party and convertible debenture. The fair value of these instruments approximates their carrying value, given their short-term nature. It is management’s opinion that the Company is not exposed to significant credit risks arising from these financial instruments. The fair value of the long-term investments has not been provided since they are investments in equity instruments that do have quoted market prices in an active market.

In accordance with the amendments to Section 3862, “Financial Instruments – Disclosures”, fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of cash equivalents and marketable securities are based on unadjusted quoted prices in active markets, and therefore classified in level 1.

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, currency risk, interest rate risk and political risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company’s financial assets exposed to credit risk are primarily composed of cash and cash equivalents. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company’s cash is held at several large financial institutions.

5. Financial instruments, risk management and capital management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's working capital totals $98,505 at February 28, 2010 ($761,927 at February 28, 2009), including cash and cash equivalents of $111,480 ($355,694 - 2009) and current liabilities totalling $396,023 ($386,724 - 2009), due within the next 12 months. Given its limited financial resources, the Company's ability to carry out an exploration program on the SOMINE property and to meet its corporate and administrative obligations on a continuous basis is dependent on its obtaining additional financing, through various means including but not limited to equity financing (Note 2). The amount and timing of additional funding (Note 9) will be impacted by, among others, the strength of the capital markets.

Currency risk

The Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates (US dollars and Magalasy Ariary (MGA)) and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. There was an insignificant level of activity in foreign curriences during the year ended February 28, 2010.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts, banker's acceptances, term

deposits, guaranteed investment certificates or treasury bills) with maturities of 90 days or less from the original date of acquisition.

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on cash equivalents and the volatility of these rates. As at February 28, 2010, cash equivalents total $67,064 ($Nil – 2009) and the interest income derived from these investments during the year was $1,129 ($5,766 – 2009).

Market risk

The Company holds publicly listed shares of companies in the mineral exploration industry. The Company is exposed to market risk in trading these shares and unfavourable market conditions could result in the disposal at less than its value at February 28, 2010. As at February 28, 2010, the value of these listed shares is $97,604 ($42,696 as at February 28, 2009). At February 28, 2010, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the year would have been approximately $9,800 higher ($4,300 – 2009). Conversely, had the bid price been 10% higher, the comprehensive loss for the year would have been approximately $9,800 lower ($4,300 – 2009).

Political risk

The Company carries out some of its exploration activities in Haiti and Madagascar. These activities may be subject to political, economical or other risks that could influence the Company's exploration activities and future financial situation.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. In the management of capital, the Company includes the components of shareholders' equity. As long as the Company is in the exploration stage of its mining properties, it is not the intention of the Company to contract additional debt obligations to finance its work programs. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the

5. Financial instruments, risk management and capital management (continued)

risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. The Company is not subject to any externally imposed capital requirements. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

6. Cash and cash equivalents

As at February 28, 2010, cash and cash equivalents total $111,480 ($355,694 as at February 28, 2009) and include investment savings account balances totalling $67,064 ($Nil as at February 28, 2009). These have interest rates ranging from 0.70% to 0.75%.

7. Information included in consolidated operations

	2010	2009
	$	$
Interest from available-for-sale financial assets	-	8,134
Interest from held-for-trading financial assets	1,129	5,766

8. Marketable securities

As at February 28, 2010, marketable securities consist of the following:

	February 28, 2010			
	Cost	Impairment	Unrealized gain (loss)	Fair value
	$	$	$	$
234,023 common shares of Vaaldiam Resources Inc.	130,000	(118,299)	(3,509)	8,192
42,500 common shares of Diamonds North Resources Ltd.	37,400	(31,025)	4,037	10,412
200,000 common shares of Sunridge Gold Corp. (1) (2)	54,500	-	24,500	79,000
	221,900	(149,324)	25,028	97,604

(1) On August 4, 2009, the Company received an additional 200,000 shares of Sunridge Gold Corp. (valued at $80,000) in exchange for a one year extension on work commitments (Note 11).

(2) During the year, the Company sold 200,000 shares of Sunridge Gold Corp. for net proceeds of $135,905, realizing a gain of $81,405.

8. Marketable securities (continued)

As at February 28, 2009, marketable securities consist of the following:

	February 28, 2009			
	Cost $	Impairment $	Unrealized gain (loss) $	Fair value $
234,023 common shares of Vaaldiam Resources Inc. (1) (3) (4)	130,000	(118,299)	(4,680)	7,021
42,500 common shares of Diamonds North Resources Ltd. (3) (4)	37,400	(31,025)	(1,700)	4,675
200,000 common shares of Sunridge Gold Corp. (2)	29,000	-	2,000	31,000
	196,400	(149,324)	(4,380)	42,696

(1) On June 11, 2008, in execution of the purchase and sale agreement dated January 25, 2008, with Vaaldiam Resources Ltd. ("Vaaldiam") for the acquisition of Majescor's 100% interest in the Tres Marias property, the Company received $100,000 and 234,023 common shares of Vaaldiam for a total value of $130,000.

(2) On October 16, 2008, pursuant to an option agreement with Sunridge Gold Corp. ("Sunridge") dated September 25, 2008 on four properties in Madagascar; the Company received 200,000 common shares of Sunridge for a total value of $29,000.

(3) During the year, the Company sold 1,733,102 shares of Vaaldiam, 657,500 shares of Diamonds North Resources Ltd. ("Diamonds North") and all of their investments related to Melkior Resources Inc. (200,000 shares) and Santoy Resources Ltd. (60,000 shares) for gross proceeds of $767,023, realizing a loss of $1,431,577.

(4) During the year, the carrying amount of shares held in Vaaldiam and Diamonds North was reduced and an impairment of respectively $118,299 and $31,025 was recorded.

9. Long term investments

	February 28, 2010 $	February 28, 2009 $
SIMACT Alliance Copper Gold Inc. (a)		
Initial 10% investment	360,994	-
Option to acquire remaining 90% investment		
Cash payment	200,000	-
Exploration work	600,000	-
Management fee (15%) on $600,000 work commitment (1)	90,000	-
Deferred corporate transaction costs (2)	53,658	-
	1,304,652	-
Uranium World Energy Inc. (b)	-	-
	1,304,652	-

(1) As Majescor was not the operator, the $600,000 in exploration work was subject to a 15% management fee.

9. Long term investments (continued)

(2) In accordance with EIC-94, direct costs related to the acquisition of the remaining 90% of SACG, such as legal and consulting fees, have been deferred and will be included in the acquisition cost upon completion of the transaction.

(a) SIMACT Alliance Copper Gold

On April 22, 2009, the Company signed an agreement (the “Agreement”) with SIMACT Alliance Copper Gold Inc. (“SACG”) and its principal shareholders, which include the Chairman of Majescor, whereby the Company could acquire a 10% interest in SACG, as well as an option to acquire all of the remaining outstanding shares of SACG.

SACG, 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 and are valid until June 22, 2012. The mining convention is valid until March 9, 2020.

On May 26, 2009, after having completed technical and legal due diligence on SACG and SOMINE and having obtained all regulatory approvals, the Company acquired its 10% interest in SACG through the issuance of 2,000,000 shares at a price of $0.15 per share. The total cost of the initial 10% was $360,994, including legal and due diligence-related costs of $60,994.

Subject to making an initial cash payment of $200,000 to SACG (which payment was made) and the carrying out by Majescor of $600,000 in exploration work on the SOMINE Property (which has been completed), Majescor was granted a 12 month option (“the Option”) to purchase the remaining 90% interest in SACG in consideration for the issuance of 10,000,000 common shares of Majescor in favour of SACG shareholders.

Furthermore, in the event that within a period of two years following the exercise of the Option, a NI 43-101 technical report (the “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 an additional 3,000,000 of its common shares to SACG shareholders. 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 SACG shareholders. These additional issuances of common shares will also be subject to all required corporate and regulatory approvals.

The Company, having met all the conditions stipulated under the Agreement, advised SACG on January 26, 2010 of its intention to exercise its option to acquire all of the remaining issued and outstanding common shares of SACG. Under the terms of the acquisition, the shareholders of SACG, excluding the Company, will receive 10,000,000 common shares of the Company to be issued at a price of $0.30 per share. The closing of the acquisition shall be subject to certain conditions including, but not limited to, the receipt of all required regulatory approvals, shareholder approval if required, and the completion of a minimum financing of $3,500,000. These funds will be used to fund the 2010 exploration program on the SOMINE Property based on the recommendations set forth in the NI 43-101 Technical Report, as well as for the Company’s general working capital.

On February 26, 2010, the Company announced a non-brokered private placement offering (the "Offering") of 20,000,000 units at a price of $0.25 each for gross proceeds of up to $5,000,000. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share of Majescor at a price of $0.40 for a period of twenty-four months following the closing of the Offering. The private placement will meet the requirements related to the minimum financing as part of the acquisition agreement. The net proceeds of the Offering will be used to fund the Company’s general working capital and exploration program on the SOMINE Copper-Gold property in Haiti. In connection with the Offering, Majescor may pay a cash commission of up to 8% of the gross proceeds of the Offering and issue warrants up to a maximum of 8% of the warrants issued as part of

9. Long term investments (continued)

the offering. All securities issued in connection with the Offering are subject to a four month hold period from the closing of the Offering.

Following the acquisition, but not taking into account the above-mentioned financing or the SOMINE SA debt settlement stated further below, Majescor will have approximately 28.9 million shares issued and outstanding.

The Company's current shareholders will own approximately 58.5% and SACG shareholders will own approximately 41.5% of the issued and outstanding shares of the Company.

Also, the Company has signed a Memorandum of Understanding with a creditor of SOMINE SA to settle the outstanding debt of US$ 302,000 due from SOMINE SA to its creditor, in exchange for treasury common shares of the Company to be issued at a price of $0.29 per share. The settlement of the debt is subject to certain conditions, including regulatory approval, the closing of the acquisition and the conversion of the debt into voting shares of the Company.

Given that the Company does not exercise significant influence with its 10% interest at February 28, 2010, this investment is carried at cost as it does not have a quoted market price in an active market.

(b) Uranium World Energy Inc.

The Company owns 3,600,000 common shares of Uranium World Energy Inc. (''UWE'') (a privately-held company) representing approximately 29% of its issued and outstanding shares. The carrying value of these shares was written down to nil in a prior period as UWE is inactive.

10. Property, plant and equipment

	February 28, 2010				February 28, 2009
	Cost	Accumulated Amortization	Impairment	Net Book Value	Net Book Value
	$	$		$	$
Office furniture and equipment	6,575	3,353	-	3,222	6,801
Computer equipment	26,081	18,135	-	7,946	13,416
Computer software	12,462	12,462	-	-	1,175
Analysis and drilling equipment	114,458	17,169	37,289	60,000	113,320
Web site development expenses	7,485	7,118	-	367	524
	167,061	58,237	37,289	71,535	135,236

During the year, the Company recorded an impairment loss on its drilling equipment in the amount of $37,289, representing the excess of its carrying amount over its fair value, as it is in need of repair and thus was not available for use during the year.

As at February 28, 2009, the cost and accumulated amortization was $197,571 and $62,335 respectively.

11. Mineral exploration properties and deferred exploration expenses

	February 28, 2010		February 28, 2009	
	Acquisition Cost	Deferred Exploration Expenses	Acquisition Cost	Deferred Exploration Expenses
	$	$	$	$
Canada				
Québec				
a) Mirabelli	-	-	4,842	250,133
b) Mistassini	1,921	124,630	1,921	124,630
c) Lac Laparre	-	-	-	-
Nunavut				
d) Baker Lake	-	-	50,000	503,810
International				
e) Madagascar	22,599	125,369	228,054	248,452
	24,520	249,999	284,817	1,127,025

a) Mirabelli

In September 2006, the Company entered into an option agreement with De Beers Canada Exploration Inc. (''De Beers'') on the Mirabelli property in Northern Quebec to form a 51:49 Joint Venture by spending $3.0 million on diamond exploration and to earn an 80% interest by spending $1.9 million on gold and base metals exploration. 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 in consideration for a 1% royalty on any diamond or non-diamond project developed to commercial production by the Company over the property.

During the year ended February 28, 2009, the Company wrote down the costs of the project by $959,189 ($18,213 in acquisition costs and $940,976 in exploration expenses).

During the year ended February 28, 2010, the Company wrote down the cost of this 100% owned property to Nil as the Company does not intend to renew the remaining claims which will expire in July 2010 ($4,842 in acquisition costs and $250,133 in deferred exploration expenses).

b) Mistassini

In March 2007, the Company entered into an agreement with its joint-venture partner Northern Superior Resources Inc. (previously Superior Diamonds Inc.) to acquire 100% of the uranium rights on the Mistassini property located in the Otish Mountains district of Quebec. Northern Superior Resources Inc. retained 100% of the diamonds rights on the property. The terms of the Agreement stipulate that in exchange for providing 100% of the rights for uranium to Majescor, Northern Superior Resources Inc. retains 100% of the 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, Northern Superior Resources 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 such minerals.

In February 2008, the Company entered into an option agreement allowing Strateco Resources Inc. to earn an undivided 60% interest in Majescor's uranium rights on the Mistassini property by incurring a total of $1.3 million in exploration expenditures over three years.

11. Mineral properties and deferred exploration expenses (continued)

	Exploration Expenses	
	$	
On or before February 14, 2008	267,012	(1)
On or before February 14, 2009	232,988	(2)
On or before February 14, 2010	400,000	(2)
On or before February 14, 2011	400,000	
	1,300,000	

(1) Strateco reimbursed the Company in April 2008 for the cost of the drilling program completed in December 2007.
(2) These exploration expenses were incurred on or before the date noted in the agreement.

c) Lac Laparre

By an agreement dated 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 Virginia Energy Resources Inc. (''Virginia'')(formerly a joint venture comprised of Santoy Resources Inc. and Melkior Resources Inc.). Under the terms of the option agreement, Virginia was to incur $2.5 million in exploration work expenditures by February of 2012 to earn its 66 2/3% interest in the uranium rights. During the year ended February 28, 2010, Virginia decided to discontinue its exploration work on the property, and it was agreed that the option agreement be terminated.

d) Baker Lake

On October 8, 2005, the Company and De Beers Canada Inc. entered into an option agreement and a letter agreement whereby the Company could acquire an 80% interest in the Mineral Rights for diamonds and uranium by carrying out exploration and development work on the Mineral Rights.

In August 2006, the Company entered into an option agreement with Uranium World Energy Inc. whereby Uranium World Energy Inc. could 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 totalling 19 permits which are still held by De Beers Canada Exploration Inc. To earn its 80% interest, Uranium World Energy Inc. was to 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.

On June 5, 2008, in replacement of the option agreement and letter agreement, the Company signed an acquisition agreement with De Beers Canada Inc. whereby the Company acquired a 100% interest in the Mineral Rights for diamonds and uranium at the Baker Lake property in exchange for Majescor common shares with an aggregate value of $50,000. On July 4, 2008, the Company issued 36,231 common shares at a price of $1.38 for a total value of $50,000.

During the year ended February 28, 2010, the Company wrote down the cost of this 100% owned property to Nil further to the abandonment of 100% of the property's claims ($50,000 in acquisition costs and $503,810 in deferred exploration expenses).

e) Madagascar

On September 15, 2008, the Company signed an option agreement with Sunridge Gold Corp ("Sunridge") by which Sunridge can acquire up to a 100% interest in the Company's 100% owned Malagasy subsidiary Daraina (''Daraina''). Sunridge can earn a 50% interest by spending $2.0 million in qualifying expenditures over 2 years and issuing 500,000 of its common shares to the Company. Within 90 days following its initial obligations, Sunridge can obtain an additional 25% by expending an additional

11. Mineral properties and deferred exploration expenses (continued)

$2,500,000 by the end of the third anniversary of the Agreement and by issuing an additional 500,000 of its common shares to the Company. Within one year following all of its obligations, Sunridge can obtain the remaining undivided 25% interest in Daraina by paying to Majescor the fair market value of the 25% interest in Daraina.

To earn its initial 50% interest in Daraina, Sunridge must make cash payments and incur exploration expenses in the following timelines:

	Exploration Expenses	Common Shares
	$	
Upon execution of the agreement	-	200,000 (1)
On or before September 15, 2010	500,000 (2)	-
On or before September 15, 2011	1,500,000	300,000
	2,000,000	500,000

(1) On October 16, 2008, the Company received 200,000 shares from Sunridge valued at $29,000.
(2) On August 4, 2009, the Company granted one additional year to Sunridge to fulfill its work commitment in consideration of 200,000 common shares of Sunridge (valued at $80,000). Under this amendment, all other dates in the agreement are postponed by one year.

During the year ended February 28, 2009, the Company wrote down the cost of the property by $482,193 ($228,054 in acquisition costs and $254,139 in deferred exploration expenses) further to a significant decline in base metals prices and the occurrence of a political instability in Madagascar.

During the year ended February 28, 2010, the Company wrote down the cost of three of its four Madagascar properties to Nil further to the decision to abandon all of the properties' claims ($167,167 in acquisition costs and $81,371 in deferred exploration expenses).

12. 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 ended February 28, 2010, the cost of shared salaries and benefits was $57,000 (2009 - $102,534) and rent and office expenses was $2,857 (2009 - $42,400). Included in amount due to related party is $Nil ($43,006 as at February 28, 2009) due to Everton.

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 year ended February 28, 2010, the cost of consulting fees paid to Woodcliff was $49,000 ($Nil in 2009).

Under an agreement between the Company and a Director of the Company, the Company pays consulting fees. During the year ended February 28, 2010, the total cost of consulting fees paid was $13,500 (2009 - $12,000).

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.

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

13. Accounts payable and accrued liabilities

During fiscal 2006, the Company filed for flow-through renunciations totaling $1,352,650 and recorded renounced exploration expenditures of $711,000 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, the Company is potentially liable to its investors for an estimated amount of $202,219 which has been accrued as a liability as at February 28, 2010 ($194.450 as at February 28, 2009).

14. Convertible debenture

On January 25, 2007, the Company completed a private placement of unsecured convertible debenture of $150,000 with Sidex to fund its Mirabelli project. The debenture matured on January 25, 2010, and beared interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. For payments in shares, the deemed price used to determine the number of shares to be issued was calculated using a weighted-average for the twenty trading days prior to the due date.

	February 28, 2010			February 28, 2009		
	Liability component	Equity component		Liability component	Equity component	
		$			$	
Balance – beginning of year	136,290	39,525		123,139	39,525	
Interest accrued (1)	31,710	-		31,204	-	
Interest paid	(18,000)	-	(3)	(18,053)	-	(2)
Repayment of principal	(150,000)	-	(4)	-	-	
Expired conversion option	-	(39,525)	(5)	-	-	
Balance – end of year	-	-		136,290	39,525	

(1) Interest expense on the liability component also includes the accretion of the liability component
(2) On August 4, 2008, the Company issued 7,826 common shares at a price of $1.15 in payment of interest on the debenture
(3) On August 11, 2009, the Company issued 36,018 common shares at a price of $0.248 in payment of interest on the debenture. On February 9, 2010, the Company issued another 31,075 common shares at a price of $0.292 in payment of interest on the debenture.
(4) On February 9, 2010, the Company issued 513,699 common shares at a price of $0.292 in payment of the principal. The decision to settle the principal by issuing shares was at the discretion of the Company.
(5) Upon expiry of the conversion option, the equity component of debenture was transferred to contributed surplus

Share issue costs of $3,111 related to payments in shares of interest and principal made during the year were presented as a reduction of share capital (Note 15).

15. Share capital

a) Authorized

Unlimited number of common shares without par value.

Issued

	Number of shares	$
Balance - March 1, 2008	9,921,360	21,398,929
Shares issued for cash (net of issue costs of $6,903) (4)	2,000,000	128,290
Shares issued to increase participation in mineral exploration properties	63,231	93,200
Shares issued in payment of interest on debenture	7,826	9,000
Black-Scholes value of extended warrants (5)	-	(70,460)
Balance - February 28, 2009	11,992,417	21,558,959
Shares issued for cash (1) (2)	3,500,000	490,774
Shares issued to acquire interest in investee company (Note 9)	2,000,000	300,000
Shares issued on the exercise of warrants (3)	800,000	124,762
Shares issued in payment of principal and interest on debenture (Note 14)	580,792	164,889
Balance - February 28, 2010	18,873,209	22,639,384

This table has been changed as a result of the change in accounting policy (Note 4i).

(1) On March 20, 2009, the Company completed a non-brokered private placement of 500,000 units at a price of $0.10 each for gross proceeds of $50,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to acquire one additional common share at a price of $0.13 until March 20, 2011. Directors of the Company subscribed for 300,000 units for $30,000. Warrants have been recorded at a value of $16,881 based on the Black-Scholes option pricing model using the following assumptions: risk free interest of 1.02%, expected life of warrants of 2 years, annualized volatility rate of 88% and dividend rate of 0%. The value of the warrants and other issue costs for $3,179 were presented as a reduction of share capital.

(2) On June 17, 2009, the Company completed a non-brokered private placement of 3,000,000 units at a price of $0.20 each for gross proceeds of $600,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to acquire one additional common share at a price of $0.30 until June 17, 2010. These 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. 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. An insider of the Company subscribed for 450,000 units for $90,000. Warrants have been recorded at a value of $129,065 based on the Black-Scholes option pricing model using the following assumptions: risk free interest of 1.34%, expected life of warrants of 1 year, annualized volatility rate of 85% and dividend rate of 0%. The value of the warrants and other issue costs for $10,101 were presented as a reduction of share capital.

(3) During the year ended February 28, 2010, 550,000 warrants with an exercise price of $0.12 and 250,000 warrants with an exercise price of $0.13 were exercised, for gross proceeds of $98,500.

(4) On February 13, 2009, the Company completed a non-brokered private placement of 2,000,000 units at a price of $0.10 each for gross proceeds of $200,000. Each unit is comprised of one common share and one common share purchase warrant, which entitles the holder to acquire one additional common share at a price of $0.12 until February 13, 2011. Warrants have been recorded at a value of $64,807 based on the Black-Scholes option pricing model using the following assumptions: risk free interest of 1.2%, expected life of warrants of 2 years, annualized volatility rate of 80% and dividend rate of 0%. The value

15. Share capital (continued)

of the warrants and other issue costs were presented as a reduction of share capital. Directors and officers of the Company participated in the private placement for a total amount of approximately $15,000.

(5) During the year ended February 28, 2009, the Company extended the expiry date of 900,116 post-consolidation warrants for a one year period, and an additional Black-Scholes value was recorded as a reduction to share capital.

b) Warrants

	February 28, 2010			February 28, 2009		
	Number of warrants	Weighted average exercise price		Number of warrants	Weighted average exercise price	
		$	$		$	$
Balance – beginning of the year	2,900,116	0.70	435,787	1,139,896	2.00	388,576
Granted	3,500,000	0.28	145,946	2,000,000	0.12	64,807
Extended	-	-	-	-	-	70,459
Exercised	(800,000)	0.12	(26,262)	-	-	-
Expired	(900,116)	2.00	(370,980)	(239,780)	2.00	(88,055)
Balance – end of the year	4,700,000	0.24	184,491	2,900,116	0.70	435,787

This table has been changed as a result of the change in accounting policy (Note 4i).

As at February 28, 2010, the following stock purchase warrants were outstanding and exercisable:

Number	Exercise Price		Expiry Date
	$	$	
1,450,000	0.12	46,986	February 13, 2011
250,000	0.13	8,440	March 20, 2011
3,000,000	0.30	129,065	June 17, 2010
4,700,000		184,491	

This table has been changed as a result of the change in accounting policy (Note 4i).

c) Stock options

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.

15. Share capital (continued)

	February 28, 2010		February 28, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Balance – beginning of the year	541,016	1.69	743,816	1.80
Granted to employees (1) (3) (4)	850,000	0.23	-	-
Granted to non-employees (2)	200,000	0.15	-	-
Forfeited	(81,000)	1.77	(202,800)	2.08
Expired	(16,500)	1.50	-	-
Balance – end of the year	1,493,516	0.65	541,016	1.69

The stock options in items (1), (3) and (4) have an exercise price that is greater than or equal to the market price at the date of grant and a weighted average fair value of $0.15

(1) On May 26, 2009, 185,000 stock options were granted to Officers, Directors and Employees of the Company at an exercise price of $0.15 per share, vesting immediately on the date of grant and expiring on May 26, 2014. The fair value of these options which amounts to $19,263 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 88%; risk-free interest rate of 2.43% and an expected average life of 5 years.

(2) On May 26, 2009, 200,000 stock options were granted to an investor relations consultant of the Company at an exercise price of $0.15 per share, expiring on May 26, 2011 and vesting on a quarterly basis over 1 year. The fair value of these options which amounts to $14,180 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 88%; risk-free interest rate of 1.21% and an expected average life of 2 years. The stock options have an exercise price equal to the market price at the date of grant and a weighted average fair value of $0.07.

(3) On September 9, 2009, 165,000 stock options were granted to Officers, Directors and Employees of the Company at an exercise price of $0.28 per share, vesting immediately on the date of grant and expiring on September 9, 2014. The fair value of these options which amounts to $33,524 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 94%; risk-free interest rate of 2.64% and an expected average life of 5 years.

(4) On February 10, 2010, 500,000 stock options were granted to an Officer of the Company at an exercise price of $0.24 per share, vesting immediately on the date of grant and expiring on February 10, 2015. The fair value of these options which amounts to $75,200 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 85%; risk-free interest rate of 2.53% and an expected average life of 5 years.

15. Share capital (continued)

As at February 28, 2010, the following options were outstanding and exercisable:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$0.15	385,000	2.68	$0.15	335,000
$0.24-$0.28	665,000	4.85	$0.25	665,000
$1.50-$1.70	346,016	2.16	$1.51	346,016
$2.80	97,500	2.10	$2.80	97,500
	1,493,516			1,443,516

As at February 28, 2009, the following options were outstanding and exercisable:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$1.50-$1.70	428,516	2.92	$1.51	428,516
$2.80	112,500	3.25	$2.80	112,500
	541,016			541,016

The weighted average fair value of each option granted of $0.13 is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010
Expected dividend yield	0.00%
Expected stock price volatility	88%
Risk-free interest rate	2.28%
Expected life of options	4.43 years

16. Contributed surplus

Contributed surplus consists of the following components:

	February 28, 2010	February 28, 2009
	$	$
Balance – beginning of the year	1,690,292	1,458,917
Stock-based compensation to employees	127,987	124,828
Stock-based compensation to non-employees	10,635	18,492
Expired conversion option on debenture	39,525	-
Expiry of warrants	370,980	88,055
Balance – end of the year	2,239,419	1,690,292

This table has been changed as a result of the change in accounting policy (Note 4i).

17. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) consists of the following components:

	February 28, 2010	February 28, 2009
	$	$
Balance, beginning of the year	(4,380)	(645,618)
Changes in fair value of available for sale investments	110,813	(975,663)
Impairment on available-for-sale investments	-	185,324
Realized (gains) losses on sale of marketable securities transferred to consolidated operations (Note 8)	(81,405)	1,431,577
Balance, end of the year	25,028	(4,380)

18. Changes in non-cash working capital items

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

	February 28, 2010	February 28, 2009
	$	$
Accounts receivable	-	407,992
Commodity taxes receivable	(6,071)	55,246
Advances to operators	-	6,708
Prepaid expenses	(21,801)	125,864
Tax credits and mining duties receivable	(27,169)	-
Accounts payable and accrued liabilities	89,125	(71,195)
Amount due to related parties	(43,006)	43,006
Amount due to operators	-	(43,235)
Total changes in non-cash working capital	(8,922)	524,386

19. Income taxes

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

	2010	2009
	$	$
Loss before income taxes	(1,791,643)	(7,191,156)
Expected statutory rate (Federal 18.83%, Quebec 11.90%)	30.73%	31.09%
Expected recovery of income tax	(550,572)	(2,235,730)
Stock based compensation	42,599	44,558
(Gain) loss on the sale of marketable securities	(25,016)	445,077
Share issue costs	(27,825)	(48,920)
Investment in SIMACT	326,005	-
Other permanent differences	48,923	51,719
Change in valuation allowance	(58,059)	1,826,543
Foreign income taxed at other than Canadian statutory rates	-	7,914
Effect of tax rate changes	14,917	(115,995)
Expired tax losses	157,470	(7,151)
Other	71,558	39,899
Provision for income taxes	-	7,914

The Canadian statutory income tax rate of 30.73% is comprised of federal income tax at approximately 18.83% and provincial tax rate at approximately 11.90%.

The primary temporary differences which give rise to future income taxes (recovery) at February 28, 2010 and 2009 are as follows:

	2010	2009
Future tax assets		
Income tax loss carry forwards	1,244,802	1,264,372
Investments	(252,153)	73,852
Resource properties	2,172,414	1,892,298
Fixed and intangible assets	30,223	22,823
	3,195,286	3,253,345
Less: Valuation Allowance	(3,195,286)	(3,253,345)
Net future tax assets	-	-
Future tax liabilities		
Investments	-	-
Net future tax asset (liability)	-	-

19. Income taxes (continued)

As at February 28, 2010, the Company has income tax loss carry forwards as follows:

	Federal	Quebec
2014	442,000	411,000
2015	629,000	592,000
2026	626,000	572,000
2027	827,000	642,000
2028	945,000	39,000
2029	919,000	918,000
2030	506,000	504,000
	4,894,000	3,678,000

20. 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 28, 2010	February 28, 2009
	$	$
Canada	198,086	1,070,572
Haiti	1,304,652	-
Madagascar	147,968	476,506
Total	1,650,706	1,547,078

21. Comparative figures

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

22. Subsequent events

Share Purchase Warrants Extension

In June 2010, the Company extended for a one-year period the expiry date of 3,000,000 common share purchase warrants which were expiring on June 17, 2010.