MAJESCOR RESOURCES INC.

Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended August 31, 2012

(Expressed in Canadian Dollars)
(Unaudited)

Management's Responsibility for condensed consolidated interim financial statements

The accompanying unaudited condensed consolidated interim financial statements of Majescor Resources Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Daniel Hachey
Chief Executive Officer

(signed)
Khadija Abounaim
Chief Financial Officer

Ottawa, Canada
October 29, 2012

Notice to Reader

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements as at and for the three and six months ended August 31, 2012 have not been reviewed by the Company's auditors.

Majescor Resources Inc.

(An exploration stage company)
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2012 (Unaudited)		February 29, 2012 (Audited)
Assets				
Current assets				
Cash and cash equivalents (note 5)	**$**	**423,165**	$	3,172,103
Marketable securities (note 6)		**46,488**		137,572
Accounts receivable (note 7)		**65,824**		114,405
Tax credit and mining duties receivable (note 8)		**-**		83,844
Prepaid expenses (note 9)		**131,313**		759,639
Total current assets		**666,790**		4,267,563
Property and equipment (note 10)		**232,592**		130,120
Exploration and evaluation assets (note 11)		**8,470,252**		6,720,552
Total assets	**$**	**9,369,634**	$	11,118,235
Liabilities and Equity				
Current liabilities				
Trade and other payables (note 12)	**$**	**386,578**	$	687,020
Debt obligations (note 13)		**2,083,061**		290,079
Total current liabilities		**2,469,639**		977,099
Long-term debt (note 14)		**2,583**		2,000
Total liabilities		**2,472,222**		979,099
Equity				
Share capital (note 15)		**33,508,279**		33,429,971
Reserves		**5,017,293**		4,801,446
Deficit		**(32,151,983)**		(28,875,327)
Equity attributable to equity holders of the Parent Company		**6,373,589**		9,356,090
Equity attributable to non-controlling interest (note 19)		**523,823**		783,046
Total equity		**6,897,412**		10,139,136
Total liabilities and equity	**$**	**9,369,634**	$	11,118,235

Going concern (note 2)
Commitments (note 27)
Subsequent event (note 28)

Approved on behalf of the Board:

(signed) "Daniel Hachey"
Daniel Hachey, Director

(signed) "Anthony Giovinazzo"
Anthony Giovinazzo, Director

The accompanying notes to the condensed consolidated interim financial statements are an integral part of these statements.

Majescor Resources Inc.
(An exploration stage company)
Condensed Consolidated Interim Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended August 31, 2012	Three Months Ended August 31, 2011	Six Months Ended August 31, 2012	Six Months Ended August 31, 2011
Expenses				
Exploration and evaluation expenditures	**$ 988,414**	$ 395,218	**$ 2,323,123**	$ 426,262
General and administrative (note 20)	**561,814**	665,709	**1,059,079**	910,343
(Gain) loss on foreign exchange	**(99,520)**	(93,501)	**152,373**	(79,744)
Loss before the following	**(1,450,708)**	(967,426)	**(3,534,575)**	(1,256,861)
Interest and other income	**3,098**	2,821	**8,508**	5,937
Accretion expense	**(583)**	-	**(583)**	-
Loss on sale of marketable securities	**(6,741)**	-	**(6,741)**	-
Gain on reversal of provision for uncollectible tax credits (note 8)	**79,512**	-	**79,512**	-
Net loss for the period	**$ (1,375,422)**	$ (964,605)	**$ (3,453,879)**	$ (1,250,924)
Attributable to:				
Equity holders of the Parent Company	**(1,481,394)**	(838,855)	**$ (3,194,656)**	$ (1,108,928)
Non-controlling interest (note 19)	**105,972**	(125,750)	**(259,223)**	(141,996)
	(1,375,422)	(964,605)	**$ (3,453,879)**	$ (1,250,924)
Basic and diluted loss per share (note 18)	**$ (0.02)**	$ (0.02)	**$ (0.04)**	$ (0.02)

The accompanying notes to the condensed consolidated interim financial statements are an integral part of these statements.

Majescor Resources Inc.

(An exploration stage company)
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	August 31, 2012	**August 31, 2011**	**August 31, 2012**	**August 31, 2011**
Net loss for the period	**$ (1,375,422)**	$ (964,605)	**$ (3,453,879)**	$ (1,250,924)
Other comprehensive loss				
Unrealized loss on available-for-sale marketable securities	**(24,050)**	(1,898)	**(86,310)**	(4,788)
Reclassification of net realized loss on available-for-sale marketable securities	**6,927**	-	**6,927**	-
Comprehensive loss for the period	**$ (1,392,545)**	$ (966,503)	**$ (3,533,262)**	$ (1,255,712)
Attributable to:				
Equity holders of the Parent Company	**$ (1,498,517)**	$ (840,753)	**$ (3,274,039)**	$ (1,113,716)
Non-controlling interest	**105,972**	(125,750)	**(259,223)**	(141,996)
	$ (1,392,545)	$ (966,503)	**$ (3,533,262)**	$ (1,255,712)

The accompanying notes to the condensed consolidated interim financial statements are an integral part of these statements.

Majescor Resources Inc.

(An exploration stage company)
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

		Reserves						
	Share capital (note 15)	**Contributed surplus**	**Warrants** (note 16)	**Accumulated other comprehensive income**	**Total reserves**	**Deficit**	**Non-controlling interest** (note 19)	**Total**
Balance, February 28, 2011	**$ 28,442,363**	**$ 2,322,413**	**$ 665,797**	**$ (6,129)**	**$ 2,982,081**	**$ (25,613,346)**	**$ -**	**$ 5,811,098**
Units issued for cash	4,000,000	-	-	-	-	-	-	4,000,000
Cost of issue	(449,093)	-	115,898	-	115,898	-	-	(333,195)
Warrants	(774,500)	-	774,500	-	774,500	-	-	-
Shares issued for exercise of options	35,250	-	-	-	-	-	-	35,250
Fair value of options exercised	18,530	(18,530)	-	-	(18,530)	-	-	-
Shares issued for exercise of warrants	12,050	-	-	-	-	-	-	12,050
Fair value of warrants exercised	3,765	-	(3,765)	-	(3,765)	-	-	-
Fair value of extended warrants	-	-	70,241	-	70,241	(70,241)	-	-
Share based payments	-	1,948	-	-	1,948	-	-	1,948
Acquisition of SACG	200,000	-	-	-	-	-	1,538,420	1,738,420
Shares issued to acquire SOMINE shares	64,625	-	-	-	-	-	-	64,625
Transactions with owners	3,110,627	(16,582)	956,874	-	940,292	(70,241)	1,538,420	5,519,098
Unrealized loss on available-for-sale marketable securities	-	-	-	(2,890)	(2,890)	-	-	(2,890)
Net loss for the period	-	-	-	-	-	(1,108,928)	(141,996)	(1,250,924)
Balance, August 31, 2011	**$ 31,552,990**	**$ 2,305,831**	**$ 1,622,671**	**$ (9,019)**	**$ 3,919,483**	**$ (26,792,515)**	**$ 1,396,424**	**$ 10,076,382**
Units issued for cash	2,585,000	-	-	-	-	-	-	2,585,000
Cost of issue	(302,647)	-	79,526	-	79,526	-	-	(223,121)
Warrants	(413,600)	-	413,600	-	413,600	-	-	-
Shares issued for exercise of options	4,500	-	-	-	-	-	-	4,500
Fair value of options exercised	3,728	(3,728)	-	-	(3,728)	-	-	-
Share based payments	-	414,350	-	-	414,350	-	-	414,350
Transactions with owners	1,876,981	410,622	493,126	-	903,748	-	-	2,780,729
Net loss for the period	-	-	-	-	-	(2,082,812)	(523,753)	(2,606,565)
Unrealized loss on available-for-sale marketable securities	-	-	-	(33,005)	(33,005)	-	-	(33,005)
Reclassification of net realized loss on available-for-sale marketable securities	-	-	-	11,220	11,220	-	-	11,220
Change in ownership of minority interest	-	-	-	-	-	-	(89,625)	(89,625)
Balance, February 29, 2012	**$ 33,429,971**	**$ 2,716,453**	**$ 2,115,797**	**$ (30,804)**	**$ 4,801,446**	**$ (28,875,327)**	**$ 783,046**	**$ 10,139,136**

Majescor Resources Inc.

(An exploration stage company)
Condensed Consolidated Interim Statements of Changes in Equity (continued)
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital (note 15)	Reserves: Contributed surplus	Reserves: Warrants (note 16)	Reserves: Accumulated other comprehensive income	Reserves: Total reserves	Deficit	Non-controlling interest (note 19)	Total
Balance, February 29, 2012	**$ 33,429,971**	**$ 2,716,453**	**$ 2,115,797**	**$ (30,804)**	**$ 4,801,446**	**$ (28,875,327)**	**$ 783,046**	**$ 10,139,136**
Units issued for cash	135,000	-	-	-	-	-	-	135,000
Cost of issue	(30,502)	-	3,840	-	3,840	-	-	(26,662)
Warrants	(26,190)	-	26,190	-	26,190	-	-	-
Warrants expired	-	376,461	(376,461)	-	-	-	-	-
Fair value of extended warrants	-	-	82,000	-	82,000	(82,000)	-	-
Share based payments	-	183,200	-	-	183,200	-	-	183,200
Transactions with owners	78,308	559,661	(264,431)	-	295,230	(82,000)	-	291,538
Net loss for the period	-	-	-	-	-	(3,194,656)	(259,223)	(3,453,879)
Unrealized loss on available-for-sale marketable securities	-	-	-	(86,310)	(86,310)	-	-	(86,310)
Reclassification of net realized gain on available-for-sale marketable securities	-	-	-	6,927	6,927	-	-	6,927
Balance, August 31, 2012	**$ 33,508,279**	**$ 3,276,114**	**$ 1,851,366**	**$ (110,187)**	**$ 5,017,293**	**$ (32,151,983)**	**$ 523,823**	**$ 6,897,412**

The accompanying notes to the condensed consolidated interim financial statements are an integral part of these statements.

Majescor Resources Inc.

(An exploration stage company)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended August 31, 2012	Three Months Ended August 31, 2011	Six Months Ended August 31, 2012	Six Months Ended August 31, 2011
Operating activities				
Net loss for the period	**$ (1,375,422)**	$ (964,605)	**$ (3,453,879)**	$ (1,250,924)
Adjustments for:				
Amortization of property and equipment	**11,065**	4,957	**20,393**	7,735
Share based payments	**183,200**	336,500	**183,200**	338,448
Loss on sale of marketable securities	**6,741**	-	**6,741**	-
Interest income accrued	**-**	595	**-**	(1,171)
Gain on reversal of provision for uncollectible tax credits (note 8)	**(79,512)**	-	**(79,512)**	-
Accretion expense	**583**	-	**583**	-
Changes in working capital items (note 21)	**10,935**	(161,659)	**376,465**	(205,256)
Net cash used in operating activities	**(1,242,410)**	(784,212)	**(2,946,009)**	(1,111,168)
Investing activities				
Purchase of short-term investments	**-**	(1,696,247)	**-**	(1,696,247)
Proceeds from sale of marketable securities	**4,960**	-	**4,960**	-
Tax credit and mining duties received	**163,356**	-	**163,356**	-
Purchase of property and equipment	**(13,886)**	(13,049)	**(122,865)**	(13,049)
Net cash provided by (used in) investing activities	**154,430**	(1,709,296)	**45,451**	(1,709,296)
Financing activities				
Proceeds from issue of common shares, net of costs	**-**	3,666,805	**108,338**	3,666,805
Warrants exercised	**-**	-	**-**	12,050
Options exercised	**-**	5,250	**-**	35,250
Cash received on acquisition of assets of SACG	**-**	-	**-**	118,837
Net cash provided by financing activities	**-**	**3,672,055**	**108,338**	3,832,942
Effect of foreign currency translation	**23,280**	(138,548)	**43,282**	(272,881)
Net change in cash and cash equivalents	**(1,064,700)**	1,039,999	**(2,748,938)**	739,597
Cash and cash equivalents, beginning of period	**1,487,865**	276,931	**3,172,103**	577,333
Cash and cash equivalents, end of period	**$ 423,165**	$ 1,316,930	**$ 423,165**	$ 1,316,930
Cash and cash equivalents consist of:				
Cash	**$ 109,917**	$ 163,350	**$ 109,917**	$ 163,350
Cash equivalents	**313,248**	1,153,580	**313,248**	1,153,580
	$ 423,165	$ 1,316,930	**$ 423,165**	$ 1,316,930
Non-cash supplemental information:				
Deferred exploration expenses included in accounts payable	**$ -**	$ -	**$ -**	$ 7,083
Exploration and evaluation assets	**$ 1,749,700**	$ -	**$ 1,749,700**	$ -
Common shares issued to acquire interest in investee company	**$ -**	$ -	**$ -**	$ 2,500,000

The accompanying notes to the condensed consolidated interim financial statements are an integral part of these statements.

1. 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. The Company’s common shares are listed on the TSX Venture Exchange ("TSX.V") under the symbol MJX. The primary office is located at 5370 Canotek Road, Suite 9, Ottawa, Ontario, Canada, K1J 9E7.

2. Going concern

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The Company has incurred a loss in the current and prior periods, with a current net loss of $1,375,422 and $3,453,879 during the three and six months ended August 31, 2012 (three and six months ended August 31, 2011 - $964,605 and $1,250,924) and has an accumulated deficit of $32,151,983 (February 29, 2012 - $28,875,327). These material uncertainties cast significant doubt regarding the Company’s ability to continue as a going concern.

As at August 31, 2012, the Company had negative working capital of $1,802,849 (February 29, 2012 - positive working capital of $3,290,464), including $423,165 (February 29, 2012 - $3,172,103) in cash and cash equivalents and current liabilities totalling $2,469,639 (February 29, 2012 - $977,099). In addition to ongoing working capital requirements, the Company must secure sufficient funding to continue its exploration program on the Somine project and related general and administration costs. Management is evaluating various alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful.

On June 21, 2012, the Company submitted an application to have the SOMINE Research Permit (which expired on June 22, 2012) converted to two Mining Exploitation Permits (note 11), and committed to the payment of $US 1.8 million (CAD 1,783,782 as at August 31, 2012) to the Government of Haiti over a twelve-month period (note 13). As at October 29, 2012, the grant of these permits is still pending and there is no assurance it will occur. This material uncertainty along with this material payment commitment cast significant doubt regarding the Company’s ability to continue as a going concern.

The carrying amount of assets, liabilities and expenses presented in the condensed consolidated interim financial statements and the classification used in the consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. Significant accounting policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of October 29, 2012, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent audited annual financial statements as at and for the year ended February 29, 2012. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending February 28, 2013 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Standards, amendments and interpretations not yet effective

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent audited annual financial statements as at and for the year ended February 29, 2012.

4. Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

<u>Estimates</u>

- the recoverability of accounts receivable;
- the estimated useful lives and residual value of PE;
- the estimated timing of future events used in determining the fair value of certain financial instruments;

<u>Judgements</u>

- determination that no material restoration, rehabilitation and environmental obligations and liabilities existed based on the facts and circumstances;
- the assessment of the Company's ability to execute its strategy by funding future working capital. Further information regarding going concern is outlined in note 2;
- determining whether facts and circumstances suggest that the carrying amount of impairment of exploration and evaluation assets may exceed their recoverable amount when for example: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale;
- determination of the functional currency of the Company and the functional currency of each of its subsidiaries, based on the facts and circumstances that existed during the period.

(Expressed in Canadian Dollars)

5. Cash and cash equivalents

		August 31, 2012		February 29, 2012
Cash and cash equivalents				
Cash	**$**	**109,917**	$	2,472,659
Money market fund		**313,248**		699,444
	$	**423,165**	$	3,172,103

6. Marketable securities

As at August 31, 2012, the marketable securities consisted of the following:

August 31, 2012		Cost		Impairment		Unrealized gain (loss)		Fair value
Diamonds North Resources Ltd. - 42,500 common shares		37,400		(31,025)		(4,887)		1,488
Sunridge Gold Corp. - 225,000 common shares		150,300		-		(105,300)		45,000
	$	187,700	$	(31,025)	$	(110,187)	$	46,488

As at February 29, 2012, the marketable securities consisted of the following:

February 29, 2012		Cost		Impairment		Unrealized gain (loss)		Fair value
Vaaldiam Mining Inc. - 18,721 common shares	$	130,000	$	(118,299)	$	(9,642)	$	2,059
Diamonds North Resources Ltd. - 42,500 common shares		37,400		(31,025)		(3,612)		2,763
Sunridge Gold Corp. - 225,000 common shares		150,300		-		(17,550)		132,750
	$	317,700	$	(149,324)	$	(30,804)	$	137,572

7. Accounts receivable

		August 31, 2012		February 29, 2012
Sales tax receivable (Canada)	**$**	**65,824**	$	112,614
Other receivable		**-**		1,791
	$	**65,824**	$	114,405

(Expressed in Canadian Dollars)

8. Tax credit and mining duties receivable

Tax credit and mining duties receivable consists of refundable tax credits and refundable mining duties from the government of Quebec.

During the six months ended August 31, 2012, the Company received a $163,356 refund of refundable tax credits and refundable mining duties. As a result, the Company recorded a gain on reversal of provision for uncollectible tax credits of $79,512 for amounts which had been impaired in a previous period.

9. Prepaids

	August 31, 2012	**February 29, 2012**
Exploration advances	**$ 77,230**	$ 692,321
Prepaid exploration supplies	**54,083**	67,318
	$ 131,313	$ 759,639

10. Property and equipment

Cost	**Computer software**	**Office furniture and equipment**	**Computer equipment**	**Exploration equipment**	**Total**
Balance, February 28, 2011	$ -	$ 14,060	$ 26,081	$ 77,169	$ 117,310
Additions	-	3,335	-	112,803	116,138
Disposal	-	(7,485)	-	-	(7,485)
Balance, February 29, 2012	-	9,910	26,081	189,972	225,963
Additions	13,886	4,082	-	104,897	122,865
Balance, August 31, 2012	**$ 13,886**	**$ 13,992**	**$ 26,081**	**$ 294,869**	**$ 348,828**

Accumulated amortization	**Computer software**	**Office furniture and equipment**	**Computer equipment**	**Exploration equipment**	**Total**
Balance, February 28, 2011	$ -	$ 11,482	$ 20,519	$ 38,769	$ 70,770
Amortization	-	515	1,669	30,374	32,558
Disposal	-	(7,485)	-	-	(7,485)
Balance, February 29, 2012	-	4,512	22,188	69,143	95,843
Amortization	1,737	744	584	17,328	20,393
Balance, August 31, 2012	**$ 1,737**	**$ 5,256**	**$ 22,772**	**$ 86,471**	**$ 116,236**

(Expressed in Canadian Dollars)

10. Property and equipment (continued)

Net book value	Computer software	Office furniture and equipment	Computer equipment	Exploration equipment	Total
Balance, February 29, 2012	**$ -**	**$ 5,398**	**$ 3,893**	**$ 120,829**	**$ 130,120**
Balance, August 31, 2012	**$ 12,149**	**$ 8,736**	**$ 3,309**	**$ 208,398**	**$ 232,592**

11. Exploration and evaluation assets

	Somine, Haiti	,Mistassini, Quebec	Besakoa, Madagascar	Total
Balance, February 28, 2011	**$ -**	**$ 1,921**	**$ 22,599**	**$ 24,520**
Addition	6,718,631	-	-	6,718,631
Option payment received	-	-	(22,599)	(22,599)
Balance, February 29, 2012	**$ 6,718,631**	**$ 1,921**	**$ -**	**$ 6,720,552**
Addition	1,749,700	-	-	1,749,700
Balance, August 31, 2012	**$ 8,468,331**	**$ 1,921**	**$ -**	**$ 8,470,252**

a) Somine, Haiti

The Somine project in Haiti is operated by the Company’s wholly-owned affiliate Simact Alliance Copper Gold Inc. (‘‘SACG’’), a Canadian private company, which holds title to 78.48% of the issued and outstanding common shares of SOMINE SA (“SOMINE”), a company incorporated under the laws of the Republic of Haiti. SOMINE’s principal asset is its Research Permit on the SOMINE Copper-Gold project (the “Project”), located in the North-East Mineral district of Haiti. SOMINE's mineral rights and obligations for the Project were assigned under a mining convention executed with the Government of Haiti on May 5, 2005 and expired on June 22, 2012.

On June 21, 2012, SACG and SOMINE submitted two independent technical reports (non NI 43-101 compliant) to the Haitian Bureau of Mines and Energy (the “BME”) pursuant to SOMINE’s obligation under its Mining Convention with the State of Haiti and in support of SOMINE SA’s application to have the 50 square km SOMINE Exploration License converted to one (1) 25 square km Exploitation Permit covering the Blondin-Douvray-Dos Rada porphyry copper system and one (1) 20 square km Exploitation Permit covering the Faille B prospect and shear structure.

Under the terms of the Mining Convention, and conditional to SOMINE honouring other provisions set-out in the Mining Convention, upon receiving the two technical reports, the BME had thirty (30) days to issue the two Exploitation Permits. On July 19, 2012, SOMINE received a formal request by the BME for additional information regarding the technical reports. Subsequent to the notice, a series of meetings were held with the BME between August 29 and October 2 during which revised sections of the technical reports were presented. Selected other components of the technical studies were further discussed. Subsequent to the October 2 meeting, SOMINE filed the final updated technical and source documents in support of its application for the two Mining Exploitation Permits with the BME. As at October 29, 2012, the grant of these permits was still pending.

11. Exploration and evaluation assets (continued)

a) Somine, Haiti (continued)

Under Haitian mining law, a Exploitation Permit is valid for five (5) years, and is renewable until the start of commercial mining at which time the license shall be converted to a Mining Lease (valid for 25 years; renewable). The mining convention is valid until March 9, 2020.

Further to the filing of the technical reports, and as one of the conditions set forth under the Mining Convention for the grant of the Mining Exploitation Permits (Article 9.3), SOMINE S.A now owes the Government of Haiti US$ 1,800,000 (CAD 1,783,782 as at August 31, 2012), in reimbursement for historical data acquired by the United Nations Development Program (UNDP) in conjunction with the Haitian Bureau of Mines and Energy (BME) during the 1970s and 1980s and later made available to Ste Geneviève Haïti SA (now SOMINE SA) as part of the Mining Convention. Somine S.A negotiated a 12 month period payment schedule (Note 13) with the Government of Haiti.

The SOMINE Copper-Gold property also covers four Prospecting Permits encompassing four 100 square km areas lying to the East, South and Southeast of the Research Permit subject to the Mining Convention. SOMINE SA has requested the conversion of three of the Prospecting Permits into Research Permits (50 square km each) and has filed all technical and source documents in support of its application with the BME.

b) Mistassini, Quebec

On May 16, 2011, the Company executed a formal Joint Venture Agreement with Strateco Resources Inc. ("Strateco"), having an effective date as of February 14, 2011, whereby Strateco earned its 60% interest in the uranium rights on the property by spending $1.3 million in exploration expenditures over three years.

Under the terms of the Joint Venture Agreement, as long as Strateco will retain a 50% interest on uranium rights, Strateco will be the Operator of the Joint Venture and will lead the management committee for exploration of uranium on the Mistassini property and will have full and exclusive access to the property. Northern Superior Resources Inc., which holds 100% of the diamond rights and 50.5% of all other mineral rights to the exception of diamonds and uranium rights, renounced to conduct exploration and exploitation works for diamonds on the property during the duration of the Joint Venture Agreement and is entitled to a 2.0% Yellow Cake Royalty for uranium on the Mistassini property.

c) Besakoa, Madagascar

Pursuant to an Option Agreement dated September 15, 2008 and an amendment agreement dated June 19, 2009 with Sunridge Gold Corp. ("Sunridge"), 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 3 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 $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.

On September 15, 2011, Sunridge acquired its 50% interest in Daraina after it met the above conditions.

(Expressed in Canadian Dollars)

11. Exploration and evaluation assets (continued)

c) Besakoa, Madagascar (continued)

On September 15, 2012, Sunridge failed to fulfill the above conditions to earn an additional 25% interest in Daraina. Therefore, Sunridge will maintain its 50% interest in Daraina.

12. Trade and other payables

	August 31, 2012	February 29, 2012
Falling due within the year		
Trade payables	$ 386,578	$ 687,020

13. Debt obligations

The amount is made up of two seperate debt obligations.

The first amount represents $299,279 which is due to a creditor of SOMINE to settle an outstanding debt of US$ 302,000. The debt is due on demand and does not bear interest.

The second amount represents $1,783,782 which is due to the Government of Haiti to settle an outstanding debt of US$ 1,800,000 (note 11). The debt does not bear interest and is due over a 12 month period based on a payment schedule negotiated with the Government of Haiti as follows:

	US$	Equivalent in CDN$
October 12, 2012 (i)	$ 100,000	$ 99,099
December 31, 2012	500,000	495,495
March 31, 2013	600,000	594,594
August 31, 2013	600,000	594,594
Total	$ 1,800,000	$ 1,783,782

(i) This amount was paid on October 10, 2012.

14. Long-term debt

An amount of $2,583 consisting of 12,500 Class B priority shares of SOMINE. These shares are non-voting, and carry a 12% dividend which is non-cumulative up to commercial production of the Haitian properties. These shares can be offered by the holder for redemption at production stage.

(Expressed in Canadian Dollars)

15. Share capital

Authorized - The authorized share capital consisted of an unlimited number of common shares.

Issued and outstanding:

Common shares	Number of shares	Amount
Balance, February 28, 2011	**40,753,209**	**$ 28,442,363**
Units issued for cash (i)(ii)(iii)	20,000,000	4,000,000
Cost of issue (i)(ii)(iii)	-	(449,093)
Warrants valuation (i)(ii)(iii)	-	(774,500)
Shares issued for exercise of options	235,000	35,250
Fair value of options exercised	-	18,530
Shares issued for exercise of warrants	71,200	12,050
Fair value of warrants exercised	-	3,765
Revaluation of shares issued on acquisition of SACG	-	200,000
Shares issued to acquire SOMINE shares (iv)	275,000	64,625
Balance, August 31, 2011	**61,334,409**	**$ 31,552,990**
Balance, February 29, 2012	**71,704,409**	**$ 33,429,971**
Units issued for cash (v)	540,000	135,000
Cost of issue (v)	-	(30,502)
Warrants valuation (v)	-	(26,190)
Balance, August 31, 2012	**72,244,409**	**$ 33,508,279**

(i) On July 28, 2011, the Company completed the first tranche of a non-brokered private placement of 16,950,000 units at a price of $0.20 each for gross proceeds of $3,390,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.35 until July 28, 2013. The Company paid finders' fees of $234,320 and issued 1,171,600 non-transferable agent warrants, each agent warrant entitling the holder to purchase one common share of the Company at a price of $0.25 until January 28, 2013.

The 8,475,000 warrants issued in connection to the private placement have been recorded at a value of $678,000 based on the proportional method based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 1.48%, expected life of warrants of 2 years, annualized volatility rate of 112% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

The 1,171,600 agent warrants issued in connection to the private placement have been recorded at a value of $100,758 based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 1.48%, expected life of warrants of 1.5 years, annualized volatility rate of 98% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

15. Share capital (continued)

(ii) On August 12, 2011, the Company completed the second tranche of a non-brokered private placement of 2,550,000 units at a price of $0.20 each for gross proceeds of $510,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.35 until August 12, 2013. The Company paid finders' fees of $37,600 and issued 188,000 non-transferable agent warrants, each agent warrant entitling the holder to purchase one common share of the Company at a price of $0.25 until February 12, 2013.

The 1,275,000 warrants issued in connection to the private placement have been recorded at a value of $76,500 based on the proportional method based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 0.93%, expected life of warrants of 2 years, annualized volatility rate of 108% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

The 188,000 agent warrants issued in connection to the private placement have been recorded at a value of $10,340 based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 0.96%, expected life of warrants of 1.5 years, annualized volatility rate of 100% (based on the Company's historical volatility for 1.5 years up to the issuance date) and dividend rate of 0%.

(iii) On August 19, 2011, the Company completed the third and final tranche of a non-brokered private placement of 500,000 units at a price of $0.20 each for gross proceeds of $100,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.35 until August 19, 2013. The Company paid finders' fees of $8,000 and issued 40,000 non-transferable agent warrants, each agent warrant entitling the holder to purchase one common share of the Company at a price of $0.25 until February 19, 2013.

The 250,000 warrants issued in connection to the private placement have been recorded at a value of $20,000 based on the proportional method based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 0.87%, expected life of warrants of 2 years, annualized volatility rate of 114% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

The 40,000 agent warrants issued in connection to the private placement have been recorded at a value of $4,800 based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 0.91%, expected life of warrants of 1.5 years, annualized volatility rate of 108% (based on the Company's historical volatility for 1.5 years up to the issuance date) and dividend rate of 0%.

(iv) The Company, through SACG, acquired from an individual investor 13,000 voting shares of SOMINE, a company constituted under the laws of Haiti, in exchange for 275,000 common shares of Majescor (valued at $64,625 based on the value of the equity given up) and a sum of $25,000.

(Expressed in Canadian Dollars)

15. Share capital (continued)

(v) On March 22, 2012, the Company completed the second tranche of a non-brokered private placement of 540,000 units at a price of $0.25 each for gross proceeds of $135,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.40 until March 22, 2014. The Company paid finders' fees of $8,000 and issued 32,000 non-transferable agent warrants, each agent warrant entitling the holder to purchase one common share of the Company at a price of $0.25 until March 22, 2014.

The 270,000 warrants issued in connection to the private placement have been recorded at a value of $26,190 based on the proportional method based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 1.24%, expected life of warrants of 2 years, annualized volatility rate of 111% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

The 32,000 agent warrants issued in connection to the private placement have been recorded at a value of $3,840 based on the Black-Scholes option pricing model, using the following assumptions: risk free interest rate of 1.24%, expected life of warrants of 2 years, annualized volatility rate of 111% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

16. Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
Balance, February 28, 2011	**8,768,400**	**$ 0.35**
Granted (note 15(i)(ii)(iii))	11,399,600	0.34
Exercised	(71,200)	0.17
Balance, August 31, 2011	**20,096,800**	**$ 0.35**
Balance, February 29, 2012	**25,996,400**	**$ 0.35**
Granted (note 15(v))	302,000	0.38
Expired	(3,597,200)	0.29
Balance, August 31, 2012	**22,701,200**	**$ 0.36**

(Expressed in Canadian Dollars)

16. Warrants (continued)

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

Number of Warrants	Fair Value	Exercise Price	Expiry Date
1,171,600	100,758	0.25	January 28, 2013
188,000	10,340	0.25	February 12, 2013
40,000	4,800	0.25	February 19, 2013
5,000,000	428,954	0.40	July 27, 2013 (i)
8,475,000	678,000	0.35	July 28, 2013
100,000	8,858	0.40	August 6, 2013 (i)
1,275,000	76,500	0.35	August 12, 2013
250,000	20,000	0.35	August 19, 2013
5,170,000	413,600	0.40	March 1, 2014
729,600	79,526	0.25	March 1, 2014
270,000	26,190	0.40	March 22, 2014
32,000	3,840	0.25	March 22, 2014
22,701,200	**$ 1,851,366**	**$ 0.35**	

(i) During the period, the Company extended the expiry of these warrants for a one-year period. Consequently, an additional Black-Scholes value of $82,000 was recorded to deficit using the following assumptions: risk free interest rate of 1.04%, expected life of warrants of 1 year, annualized volatility rate of 120% (based on the Company's historical volatility for 1 year up to the extension date) and dividend rate of 0%.

(Expressed in Canadian Dollars)

17. Stock options

The following table shows the continuity of options:

	Number of Options	Weighted Average Exercise Price
Outstanding at February 28, 2011	**2,122,200**	**$ 0.48**
Granted (i)(ii)(iii)	1,700,000	0.24
Exercised	(235,000)	0.15
Expired	(45,700)	1.50
Forfeited	(149,000)	1.35
Outstanding at August 31, 2011	**3,392,500**	**$ 0.34**
Outstanding at February 29, 2012	**4,382,500**	**$ 0.31**
Granted (iv)(v)	1,600,000	0.15
Expired	(272,500)	0.86
Forfeited	(232,500)	0.43
Outstanding at August 31, 2012	**5,477,500**	**$ 0.23**

(i) On June 18, 2011, 250,000 stock options were granted to an employee and consultants of the Company at an exercise price of $0.25 per share, expiring on June 18, 2013.

(ii) On June 18, 2011, 950,000 stock options were granted to Officers of the Company at an exercise price of $0.25 per share, expiring on June 18, 2016.

(iii) On July 28, 2011, 500,000 stock options were granted to an Officer of the Company at an exercise price of $0.215 per share, expiring on July 28, 2016.

The weighted average fair value of each option granted during the six months ended August 31, 2011 of $0.20 is estimated using the Black-Scholes option pricing model with the following weighted average assumption:

Expected dividend yield	0.00%
Expected stock price volatility	157%
Risk-free interest rate	2.06%
Expected life of options	4.56 years

(iv) On June 27, 2012, 1,100,000 stock options were granted to Officers, Directors and employees of the Company at an exercise price of $0.15 per share, expiring on June 27, 2017.

(Expressed in Canadian Dollars)

17. Stock options (continued)

(v) On August 14, 2012, 500,000 stock options were granted to an Officer of the Company at an exercise price of $0.15 per share, expiring on August 14, 2017.

The weighted average fair value of each option granted during the six months ended August 31, 2016 of $0.11 is estimated using the Black-Scholes option pricing model with the following weighted average assumption:

Expected dividend yield	0.00%
Expected stock price volatility	167%
Risk-free interest rate	1.28%
Expected life of options	5 years

The underlying expected volatility was determined by reference to historical data of Majescor's shares listed on the TSX.V based on annual price volatility for the same term as the term of the option from the issuance date. No special features inherent to the options granted were incorporated into measurement of fair value.

The following table shows the options outstanding as at August 31, 2012:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$0.15	1,660,000	4.75	$ 0.15	1,660,000
$0.21 - $0.28	3,735,000	3.32	$ 0.24	3,735,000
$1.50 - $1.70	82,500	0.35	$ 1.50	82,500
	5,477,500			**5,477,500**

The following table shows the options outstanding as at February 29, 2012:

Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
$0.15	90,000	2.24	$ 0.15	90,000
$0.21 - $0.28	4,102,500	3.64	$ 0.24	4,102,500
$1.50 - $1.70	132,500	0.74	$ 1.51	132,500
$2.80	57,500	0.10	$ 2.80	57,500
	4,382,500			**4,382,500**

(Expressed in Canadian Dollars)

18. Loss per common share

The calculation of basic and diluted loss per share for the three and six months ended August 31, 2012 was based on the loss attributable to common shareholders of $1,481,394 and $3,194,656 (three and six months ended August 31, 2011 - $838,855 and $1,108,928) and the weighted average number of common shares outstanding of 72,244,409 and 72,179,844 (three and six months ended August 31, 2011 - 48,017,798 and 44,468,187). Diluted loss per share did not include the effect of 5,477,500 stock options (three and six months ended August 31, 2011 - 3,392,500) and 22,701,200 warrants (three and six months ended August 31, 2011 - 20,096,800) as they are anti-dilutive.

19. Non-controlling interest

Balance,February 28, 2011	$	-
Acquisition (i)		1,538,420
Share of net loss		(141,996)
Balance, August 31, 2011	$	1,396,424
Balance, February 29, 2012	$	783,046
Share of net loss (ii)		(259,223)
Balance, August 31, 2012	$	523,823

The non-controlling interest pertains to the 21.52% (February 29, 2012 - 27.11%) interest in SOMINE that the Company does not own. Non-controlling interest of 40% was initially recorded when the Company gained control of its 100% owned subsidiary SAGC on May 7, 2011.

(i) Includes an amount of $1,221,310 relating to 352,000 Class B priority shares of SOMINE. These shares are non-voting, are redeemable at the option of SOMINE for the initial amount, and carry a 12% dividend which is non-cumulative.

(ii) Includes an amount of $304,530 related to an increase in the valuation of the Class B priority shares of Somine.

20. General and administrative

	Three months ended		Six months ended	
	August 31, 2012	**August 31, 2011**	**August 31, 2012**	**August 31, 2011**
Management and consulting fees	**$ 101,188**	$ 46,130	**$ 227,450**	$ 130,812
Share based payments	**183,200**	336,500	**183,200**	338,448
Salaries and benefits	**75,289**	67,533	**158,010**	107,697
Travel and promotion	**72,408**	90,352	**188,246**	137,424
Shareholder information	**10,960**	27,696	**13,462**	29,036
Professional fees	**48,525**	44,815	**136,589**	93,301
Office and general expenses	**59,179**	47,726	**131,729**	65,890
Amortization of property and equipment	**11,065**	4,957	**20,393**	7,735
	$ 561,814	$ 665,709	**$ 1,059,079**	$ 910,343

(Expressed in Canadian Dollars)

21. Changes in non-cash working capital items

	Three Months Ended August 31, 2012	Three Months Ended August 31, 2011	Six Months Ended August 31, 2012	Six Months Ended August 31, 2011
Accounts receivable	**$ 57,497**	$ 24,331	**$ 48,581**	$ (48,446)
Prepaid expenses	**374,029**	(360,948)	**628,326**	(333,668)
Trade and other payables	**(420,591)**	174,958	**(300,442)**	176,858
	$ 10,935	$ (161,659)	**$ 376,465**	$ (205,256)

22. Related party balances and transactions

Related parties include the Board of Directors and key management personnel, as well as, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received.

(a) Transactions with related companies

Majescor entered into the following transactions with related companies:

	Notes	Three months ended August 31, 2012	Three months ended August 31, 2011	Six months ended August 31, 2012	Six months ended August 31, 2011
Everton Resources Inc. ("Everton")	(i)	**$ -**	$ -	**$ -**	$ 15,223

(i) Under an agreement, which was terminated on May 31, 2011 between the Company and Everton, the Company reimbursed the cost of shared salaries and benefits, rent and office expenses paid by Everton (which shares common management).

(b) Transactions with key management personnel

Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended August 31, 2012	Three months ended August 31, 2011	Six months ended August 31, 2012	Six months ended August 31, 2011
Salaries and benefits, including directors fees	**$ 52,500**	$ 44,361	**$ 104,567**	$ 90,256
Consulting fees	**$ 12,650**	$ 31,900	**$ 61,600**	$ 62,250
Share based payments	**$ 177,850**	$ 302,750	**$ 177,850**	$ 304,698
Total	**$ 243,000**	$ 379,011	**$ 344,017**	$ 457,204

(Expressed in Canadian Dollars)

22. Related party balances and transactions (continued)

As at August 31, 2012 directors and key management personnel were owed $28,307 (February 29, 2012 - $74,533).

23. 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. Non-current assets segmented by geographical area are as follows:

	August 31, 2012	February 29, 2012
Canada	**$ 34,734**	$ 38,597
Haiti	**8,668,110**	6,812,075
Total	**$ 8,702,844**	$ 6,850,672

24. Capital management

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of share capital, reserves and deficit which at August 31, 2012 totalled $6,373,589 (February 29, 2012 - $9,356,090).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) focusing financing exploration expenditures on those properties considered to have the best potential; and
(iii) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company thinks there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company’s capital management objectives, policies and processes have remained unchanged during the three and six months ended August 31, 2012.

The Company is not subject to any external capital requirements or restrictions.

25. Financial risk factors

Financial risk

The Company's activities expose it to a variety of financial risks in relation to financial instruments. The financial assets and liabilities by category are summarized in note 26. The main types of risks are credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and accounts receivable. Cash and cash equivalents are held with reputable Canadian chartered banks, from which management believes the risk of loss to be minimal. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2012, the Company had cash and cash equivalents of $423,165 (February 29, 2012 - $3,172,103) and current liabilities of $2,469,639 (February 29, 2012 - $977,099). All of the Company's financial liabilities have contractual maturities of less than 30 days, except certain debt obligations (see note 13), and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's policy as it relates to its cash and cash equivalents balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts, term deposits or guaranteed investment certificates) in Canadian chartered banks with maturities of 90 days or less from the original date of acquisition.

25. Financial risk factors (continued)

(iii) Market risk (continued)

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. The Company is exposed to fluctuations in the value of assets and liabilities which are denominated in U.S. dollars (USD) and the Haitian Gourde (HTG). The Company has limited exposure to financial risk arising from fluctuations in the foreign exchange rates for the Magalasy Ariary (MGA). The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Equity price risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company holds publicly listed shares of companies in the mineral exploration industry. The Company is exposed to market risk in holding these shares and unfavourable market conditions could result in the disposal at less than its fair value at August 31, 2012. The Company closely monitors commodity prices of precious minerals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) The Company's cash equivalents and short-term investments are subject to fixed interest rates. Because of the short durations and relatively low interest rates, the impact of changes in interest rates are not significant. Consequently, management believes interest rate risk is minimal.

(ii) As at August 31, 2012, the Company held the following monetary assets and liabilities in foreign currencies:

	Canadian Dollar Equivalent	
Denominated in:	USD	HTG
Cash	11,067	3,817
Trade and other payables	(140,417)	-
Debt obligation	(2,083,061)	-
Net exposure	(2,212,411)	3,817

As at August 31, 2012, the foreign exchange risk on HTG is not significant. As at August 31, 2012, had the exchange rates for USD been 1% lower/higher, the net income (loss) for the period would have been approximately $22,100 higher or lower.

(iii) As at August 31, 2012, the value of the publicly listed shares held by the Company is $46,488. At August 31, 2012, had the bid price for these publicly listed shares been 50% lower/higher, the comprehensive loss for the period would have been approximately $23,200 higher/lower.

(Expressed in Canadian Dollars)

26. Categories of financial instruments

		August 31, 2012		February 29, 2012
Financial assets:				
Loans and receivables				
Cash and cash equivalents	**$**	**423,165**	$	3,172,103
Accounts receivable	**$**	**-**	$	1,791
Available-for-sale				
Marketable securities	**$**	**46,488**	$	137,572
Financial liabilities:				
Other financial liabilities				
Trade and other payables	**$**	**386,578**	$	687,020
Debt obligations	**$**	**2,083,061**	$	290,079
Long-term debt	**$**	**2,583**	$	2,000

As of August 31, 2012 and February 29, 2012, the fair value of all the Company's financial instruments classified as loan and receivables and other liabilities, excluding long-term debt, approximated the carrying value, due to their short-term nature.

Long-term debt was valued at acquisition by performing a present value calculation on the expected cash outflows using a discount rate of 50%.

Financial instruments measured at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The marketable securities classified as available-for-sale assets and valued at fair value using unadjusted quoted prices in active markets are classified in Level 1.

27. Commitment

The Company two office lease agreement for:

(i) a lease ending April 30, 2013 for an annual amount of $17,934.
(ii) a lease ending June 30, 2013 for an annual amount of $13,171.

28. Subsequent event

On October 16, 2012, the Company announced a non-brokered private placement of up to 20,000,000 units at a price of $0.12 per unit for gross proceeds of up to $2,400,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share at a price of $0.18 for a period of twenty-four months following the closing of the offering. The warrants are subject to an accelerated expiry if, the published closing trade price of the common shares on the TSX.V is equal or greater than $0.36 for a period of 20 consecutive trading days, commencing on the day following the expiry of the four month resale restriction period in which event the Company may give the holder a written notice and the warrants will automatically expire, if not exercised, 30 days after receipt of such notice.