POWERTECH URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

(Stated in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements for Powertech Uranium Corp have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
September 30, 2010 and December 31, 2009
(Stated in United States Dollars)

ASSETS	September 30, 2010	December 31, 2009
Current		
Cash and cash equivalents	$ 3,144,161	$ 3,581,859
Receivable	11,977	35,979
Deposits	19,648	19,648
Prepaid expenses	112,338	193,447
	3,288,124	3,830,933
Restricted cash	558,050	557,882
Mineral properties – Notes 2, 5, 6 and Schedule 1	45,126,123	40,186,113
Building and equipment – Note 3	361,562	426,028
	$49,333,859	$ 45,000,956
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 490,935	$ 576,303
Current portion of long-term debt – Note 7	10,631,909	290,000
	11,122,844	866,303
Long-term debt		
Agreements payable – Notes 7	520,690	659,811
Loan facility payable – Note 7	3,429,119	5,894,432
Convertible note payable – Note 7	8,344,403	7,052,160
	23,417,056	14,472,706
SHAREHOLDERS' EQUITY		
Share capital – Note 4	50,831,518	50,831,518
Contributed surplus – Note 4	6,784,260	6,726,716
Equity portion of convertible debt – Note 7	2,363,211	2,363,211
Equity portion of loan facility – Note 7	785,541	785,541
Accumulated other comprehensive loss	(5,004,102)	(5,004,102)
Deficit	(29,843,625)	(25,174,634)
	25,916,803	30,528,250
	$ 49,333,859	$ 45,000,956

Nature of Operations and Going Concern – Note 1
Commitments and Contingencies – Notes 2 and 8

APPROVED BY THE DIRECTORS:

"Richard F. Clement, Jr."	Director	*"Thomas Doyle"*	Director
Richard F. Clement, Jr.		Thomas Doyle	

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the three and nine months ended September 30, 2010 and 2009
(Stated in United States Dollars)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
General and administrative expenses				
Accretion – Note 7	$ 380,054	$ 208,933	$ 1,094,630	$ 501,754
Amortization and depreciation	39,832	42,395	111,124	138,429
Audit and accounting fees	11,790	25,170	25,355	86,797
Community and media relations	2,633	41,402	104,281	164,768
Director fees – Note 5	8,652	8,194	26,059	23,161
Filing fees	365	543	19,103	31,991
Foreign exchange loss (gain)	244,289	737,818	128,803	(11,723)
Insurance	20,667	25,327	67,535	85,988
Investor relations and promotion	20,834	25,580	88,420	108,866
Legal fees	52,308	65,965	112,731	120,673
Management and consulting fees – Note 5	137,941	162,850	414,608	431,239
Office and miscellaneous	98,148	140,359	357,665	366,836
Transfer agent fees	1,338	5,196	8,419	11,085
Travel and accommodation	58,833	70,704	202,051	271,468
Wages and benefits – Note 4	280,723	291,867	851,368	823,634
Loss before other	1,358,407	1,852,303	3,612,152	3,154,966
Other				
Interest income	–	(878)	(568)	(12,708)
Interest expense	434,618	192,375	1,057,407	419,007
Net loss for the period	1,793,025	2,043,800	4,668,991	3,561,265
Deficit, beginning of the period	28,050,600	21,601,635	25,174,634	20,084,170
Deficit, end of the period	$ 29,843,625	$ 23,645,435	$ 29,843,625	$ 23,645,435
Basic and diluted loss per share	$ 0.03	$ 0.04	$ 0.08	$ 0.06
Weighted average number of shares outstanding	55,429,022	55,429,022	55,429,022	55,429,022

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
AND ACCUMULATED OTHER COMPREHENSIVE LOSS
for the three and nine months ended September 30, 2010 and 2009
(Stated in United States Dollars)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Statements of Comprehensive Loss				
Net and comprehensive loss for the period	$ 1,793,025	$ 2,043,800	$ 4,668,991	$ 3,561,265
Statements of Accumulated Other Comprehensive Loss				
Balance, beginning and end of period	$ 5,004,102	$ 5,004,102	$ 5,004,102	$ 5,004,102

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and nine months ended September 30, 2010 and 2009
(Stated in United States Dollars)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating Activities				
Net loss for the period	$ (1,793,025)	$ (2,043,800)	$ (4,668,991)	$ (3,561,265)
Items not affecting cash:				
Accretion	380,054	208,933	1,094,630	501,754
Depreciation and amortization	39,832	42,395	111,124	138,429
Stock based compensation	–	–	–	19,068
Unrealized foreign exchange loss	312,831	418,872	241,418	346,508
	(1,060,308)	(1,373,600)	(3,221,819)	(2,555,506)
Net change in non-cash working capital balances:				
Receivables	(10,544)	(11,391)	24,394	2,007
Deposits	–	–	–	43,171
Prepaid expenses	(200)	17,159	82,098	49,973
Accounts payable and accrued liabilities	340,592	210,777	339,399	(1,234,184)
Cash used in operations	(730,460)	(1,157,055)	(2,775,928)	(3,694,539)
Investing Activities				
Restricted cash	–	–	(168)	300,988
Mineral property interests	(2,336,854)	(3,419,060)	(5,308,353)	(5,962,533)
Building and equipment	–	(52,420)	(46,658)	(93,764)
Cash used in investing activities	(2,336,854)	(3,471,480)	(5,355,179)	(5,755,309)
Financing Activities				
Long-term debt issuances	–	3,137,808	6,659,929	8,356,954
Long-term debt repayment	(50,000)	(250,000)	(90,000)	(290,000)
Long-term debt interest accrual	434,618	192,375	1,057,407	419,007
Cash provided by financing activities	384,618	3,080,183	7,627,336	8,485,961
Foreign exchange effect on cash	77,603	197,967	66,073	249,551
Decrease in cash during the period	(2,605,093)	(1,350,385)	(437,698)	(714,336)
Cash and cash equivalents, beginning of the period	5,749,254	3,347,893	3,581,859	2,711,844
Cash and cash equivalents, end of the period	$ 3,144,161	$ 1,997,508	$ 3,144,161	$ 1,997,508
Cash and cash equivalents consists of:				
Cash	$ 154,987	$ 1,997,508	$ 154,987	$ 1,997,508
Term deposits	2,989,174	–	2,989,174	–
	$ 3,144,161	$ 1,997,508	$ 3,144,161	$ 1,997,508
Supplementary disclosure of cash flow information				
Interest paid	$ –	$ –	$ –	$ –
Taxes paid	$ –	$ –	$ –	$ –

Non-cash Transactions – Note 6

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.

Schedule 1

(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
for the periods ended September 30, 2010 and December 31, 2009
(Stated in United States Dollars)

	South Dakota	Wyoming	Colorado	Other	Total
Balance, March 31, 2009	19,360,819	3,078,580	11,943,067	205,349	34,587,815
Acquisitions – Note 2	–	–	1,732,000	–	1,732,000
Land services	18,098	855	58,892	–	77,845
Legal fees	98,983	–	260,000	–	358,983
Claims maintenance	77,978	165,030	–	–	243,008
Lease payments	158,482	69,345	101,884	–	329,711
Drilling/ Engineering	238,138	–	565,082	–	803,220
Exploration	3,061	2,278	3,111	–	8,450
Permitting	418,442	–	295,183	–	713,625
Feasibility study	47,844	–	68,599	–	116,443
Wages/consulting – Note 6	638,885	–	576,128	–	1,215,013
Balance, December 31, 2009	$21,060,730	$3,316,088	$15,603,946	$ 205,349	$ 40,186,113
Acquisitions – Note 2	–	–	375,000	–	375,000
Land services	32,680	–	32,570	–	65,250
Legal fees	287,002	–	188,383	–	475,385
Claims maintenance	63,062	117,000	–	–	180,062
Lease payments	531,154	44,083	122,064	–	697,301
Drilling/ Engineering	38,268	–	122,514	–	160,782
Permitting	1,099,127	–	423,830	–	1,522,957
Feasibility study	160,263	–	160,441	–	320,704
Wages/Consulting – Note 6	663,765	–	478,804	–	1,142,569
Balance, September 30, 2010	$ 23,936,051	$3,477,171	$17,507,552	$ 205,349	$ 45,126,123

SEE ACOMPANYING NOTES

Note 1 Nature of Operations

Powertech Uranium Corp. (the "Company") was incorporated in British Columbia on February 10, 1984. The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") and the Frankfurt Stock Exchange. The Company's business is the exploration and development of uranium properties principally located in South Dakota, Wyoming, and Colorado, USA.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain reserves that are economically recoverable. The success of the Company and the recoverability of the amount shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of the reserves, and upon future profitable production or proceeds from disposition of the properties. The Company's success is subject to a number of risks including environmental risks, contractual risks, legal and political risks, fluctuations in the price of minerals and other factors beyond the Company's control.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2010, the Company had not yet achieved profitable operations, had a deficit of $29,843,625 and negative working capital of $7,834,720. The Company will incur future losses which casts doubt as to the Company's ability to continue as a going concern which is dependent upon its ability to raise the necessary funds and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company requires additional funding by the first quarter of 2011 in order to fund operations and meet its liabilities as they come due.

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. References to "CAD$" refer to Canadian currency and "$" to United States currency.

Note 2 Mineral Properties

During June 2009, the Company entered into two option agreements for the purchase of an aggregate of 3,585 acres of land, together with the associated water, mineral and lease interests, within the Centennial Project in Weld County, Colorado for $11,450,000. The optioned properties are adjacent to the existing northern portion of the Company's Centennial Project. The properties help to consolidate the Company's land position within the planned project boundary and add additional uranium mineral resources to the project.

For the exclusive rights of these options, the Company paid $197,000 during the three month period ended June 30, 2009. The Company may at its option pay the remaining balance over a 12 and 24 month period. Such option payments, if elected, are due in July 2009, June 2010 and June 2011. During July 2009, the Company made its July 2009 option payment in the amount of $1,530,000. During June 2010, the Company made its June 2010 option payment in the amount of $375,000.

Any option payment made is non-refundable to the Company in the event the Company does not elect to exercise its option to complete the purchase. However, if the Company elects to exercise its option to complete the purchase, the option payments will be applied against the purchase price and the remaining balance shall be paid at closing.

Note 2 Mineral Properties – (cont'd)

Powertech's gross mineral rights at the Centennial Project, including the optioned properties, have now increased from approximately 7,300 acres to approximately 9,500 acres, while its surface use acreage has nearly doubled, from approximately 3,600 acres to approximately 7,200 acres. In addition to increasing the Company's overall resource base for the project, the valuable addition of surface rights provides the Company access to its existing privately-owned minerals, and enables it to complete mine planning and supporting operational facility design.

Note 3 Building and Equipment

	At September 30, 2010			At December 31, 2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Building	$ 92,628	$ 3,824	$ 88,804	$ 92,628	$ 2,087	$ 90,541
Computer equipment	240,664	148,664	92,000	239,045	108,467	130,578
Field equipment	278,265	153,413	124,852	235,136	111,201	123,935
Office equipment	72,887	48,568	24,319	70,977	38,047	32,930
Vehicles	169,718	138,131	31,587	169,718	121,674	48,044
	$ 854,162	$ 492,600	$ 361,562	$ 807,504	$ 381,476	$ 426,028

Note 4 Share Capital and Contributed Surplus

Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Common Shares Issued:

	Number	Amount	Contributed Surplus
Balance, December 31, 2009	55,429,022	$ 50,831,518	$ 6,726,716
Stock-based compensation	–	–	57,544
Balance, September 30, 2010	55,429,022	$ 50,831,518	$ 6,784,260

Share Purchase Warrants:

At September 30, 2010, there were Nil share purchase warrants outstanding. Share purchase warrants entitled the holders thereof to purchase one common share for each warrant. Changes in share purchase warrants for the nine months ended September 30, 2010 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2009	Issued during the period	Expired during the period	Outstanding at September 30, 2010
June 4, 2010	$2.00	6,000,000	–	6,000,000	–
Totals		6,000,000	–	6,000,000	–

Note 4 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan:

The Company has a Stock Option Plan ("the Plan") under which it is authorized to grant share purchase options to directors, officers, consultants or employees of the Company. The Company is permitted to grant options under the Plan to a fixed number of 9,885,804 common shares which is equal to 20% of the issued and outstanding common shares at the date of Plan adoption. The exercise price of options granted under the Plan may not be less than the fair market value of the Company's common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years. The Board of Directors specifies a vesting period on a grant-by-grant basis. All options are granted at exercise prices which are at or above the traded share price on grant date.

At September 30, 2010, there are 7,500,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Share options are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2009	Granted during period	Exercised during period	Forfeited during period	Outstanding at September 30, 2010
May 11, 2011	$1.00	3,025,000	–	–	–	3,025,000
July 19, 2011	$1.30	200,000	–	–	–	200,000
August 1, 2011	$1.30	100,000	–	–	–	100,000
February 15, 2012	$3.00	400,000	–	–	–	400,000
May 14, 2012	$3.20	125,000	–	–	–	125,000
August 30, 2012	$1.50	900,000	–	–	–	900,000
September 4, 2012	$1.60	150,000	–	–	–	150,000
October 31, 2012	$2.15	75,000	–	–	–	75,000
January 14, 2013	$1.50	400,000	–	–	–	400,000
February 7, 2013	$1.00	400,000	–	–	–	400,000
June 18, 2013	$1.50	1,600,000	–	–	–	1,600,000
August 11, 2013	$1.50	125,000	–	–	–	125,000
Totals		7,500,000	–	–	–	7,500,000

As of September 30, 2010, 7,435,000 options have vested and are exercisable. The weighted average life of the stock options outstanding is 1.54 years. The weighted average exercise price of the stock options outstanding is CAD$1.38.

Stock-based Compensation:

During the three months ended September 30, 2010 stock-based compensation was $6,781 (2009: $40,836) of which nil (2009: $nil) was included in wages and benefits and $6,781 (2009: $40,836) was included in mineral property costs under wages/consulting.

During the nine months ended September 30, 2010 stock-based compensation was $57,544 (2009: $153,087) of which nil (2009: $19,068) was included in wages and benefits and $57,544 (2009: $134,019) was included in mineral property costs under wages/consulting.

Loan Facility:

As of June 30, 2010, the Company had fully drawn down the principal amount of CAD$13,800,000 of the Loan Facility. The principal amount of the second tranche, being CAD$3,450,000, is convertible into common shares of the Company at a conversion price of CAD$0.50 per common share. Assuming full conversion of the CAD$3,450,000 principal of the second tranche of the Loan Facility, Société Belge de Combustibles Nucléaires Synatom SA ("Synatom") will acquire 6,900,000 common shares of the Company. The terms of the Loan Facility are discussed in Note 7.

Note 5 Related Party Transactions

In addition to the financing arrangements with Synatom, as discussed in Notes 4 and 7, the Company entered into the following transactions with directors and officers of the Company or with companies with directors and officers in common:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Director fees	$ 8,652	$ 8,194	$ 26,059	$ 23,161
Management and consulting fees	94,637	92,804	284,282	272,685
	$ 103,289	$ 100,998	$ 310,341	$ 295,846

These related party transactions are measured by the exchange value, which represents the amount of consideration established and agreed to by the transacting parties.

Not included in director's fees and management and consulting fees was stock based compensation expense of $16,511 for the nine months ended September 30, 2009. There was no such expense during the three months ended September 30, 2010 and 2009 nor the nine months ended September 30, 2010.

As of September 30, 2010, the Company had prepaid $31,663 of management and consulting fees related to October 2010 services. Of this amount, $10,000 was capitalized to resource properties.

As of September 30, 2010, the Company had advanced $Nil (2009 - $40,000) for travel and expenses to one of the directors of the Company.

Note 6 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions are excluded from the statements of cash flows:

For the three months ended September 30, 2010 and 2009:

(a) Included in mineral properties cost is stock-based compensation valued at $6,781 (2009: $40,836) relating to employees who are directly involved with the mineral properties.

(b) Included in accounts payable and accrued liabilities is approximately $426,000 (2009: $407,000) relating to mineral properties.

For the nine months ended September 30, 2010 and 2009:

(a) Included in mineral properties cost is stock-based compensation valued at $57,544 (2009: $134,019) relating to employees who are directly involved with the mineral properties.

(b) Included in accounts payable and accrued liabilities is approximately $426,000 (2009: $407,000) relating to mineral properties.

Note 7 Long-term Debt

Agreements payable		**September 30, 2010**		**December 31, 2009**
Agreement payable of $100,000, payable in annual installments of $10,000 of which $40,000 (December 31, 2009: $30,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default the lender has the option to obtain the mineral property interest for $1.	$	60,000	$	70,000
Agreement payable of $300,000, payable in annual installments of $30,000, of which $60,000 (December 31, 2009: $30,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for $1. In accordance with the accounting policy for financial instruments, the fair value on inception, using a market interest rate of 15% was determined to be $150,563. The difference of $149,437 will be accreted over the remaining life until maturity using amortized cost method. For the three and nine months ended September 30, 2010, $1,170 and $3,255, respectively (2009: $861 and $2,381, respectively) of accretion has been charged to the statement of operations and credited to agreements payable.		98,992		125,767
Agreement payable of $2,000,000, payable in annual installments of $250,000 of which $800,000 (December 31, 2009: $750,000) has been paid. During September 2010, installment payments were renegotiated to the following terms: 2010: $50,000; 2011: $350,000 and 2012: $350,000. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default the lender has the option to obtain the mineral property interest for $1. In accordance with the accounting policy for financial instruments, the fair value on inception, using a market interest rate of 9.25% was determined to be $1,370,940. The difference of $629,060 is accreted over the remaining life until maturity using amortized cost method. For the three and nine months ended September 30, 2010, $16,705 and $47,654, respectively, (2009: $14,206 and $40,525, respectively) of accretion has been charged to statement of operations and credited to agreements payable.		751,698		754,044
		910,690		949,811
Less: Current portion:		390,000		290,000
	$	520,690	$	659,811

Note 7 Long-term Debt – (cont'd)

Convertible Debenture payable	**September 30, 2010**	**December 31, 2009**
Convertible debenture (the "Debenture") of CAD$9,000,000 ($7,547,400) bearing interest at the rate of 7% per annum, compounded annually, due February 2012 and secured by a floating charge over all of the Company's acquired property and assets. The Debenture may be converted into the Company's common shares (the "Common Shares") at a fixed conversion price of CAD$0.50 per Common Share (the "Conversion Price") in certain circumstances. The principal amount of the Debenture, plus accrued and unpaid interest thereon, may be converted (1) by the Company in the event that the Company has obtained all of the permits required to construct and operate either the Centennial or the Dewey-Burdock project; or (2) by the lender at any time, provided that each conversion shall be a minimum of CAD$100,000 of the principal amount of the Debenture, until (a) repayment in full by the Company of any outstanding principal and interest outstanding on the Debenture, or (b) conversion upon the request of the Company pursuant to (a) above. The Conversion Price and the number of Common Shares issuable upon conversion of the Debenture are subject to anti-dilution adjustments in the event of a subdivision, consolidation or reclassification of the Common Shares or the issuance of Common Shares to shareholders as a stock dividend. The Company has also agreed not to take certain corporate actions without the consent of the lender until the earlier of: (i) the conversion of the entire Debenture into Common Shares in accordance with the terms and conditions of the Debenture; and (ii) the maturity date. In accordance with the accounting policy for financial instruments, the convertible debenture was bifurcated into equity and liability components using the relative fair measure method. The equity component was determined using the Black Scholes method with the following assumptions: 90.95% volatility, 0% dividend yield, 1.50% risk-free interest rate and an expected life of three years. The liability component was determined using an implied market interest rate of 15%.		
As of September 30, 2010, $9,771,221 (CAD$10,053,730) of principal and interest is outstanding and payable.	$ 8,344,403	$ 7,052,160

For the three and nine months ended September 30, 2010, $165,646 and $508,736, respectively, (2009: $146,234 and $372,866, respectively) of accrued interest of has been charged to statement of operations and credited to convertible debt. For the three and nine months ended September 30, 2010, $230,646 and $669,406, respectively, (2009: $193,866 and $458,848, respectively) of accretion of has been charged to statement of operations and credited to convertible debt. The amount allocated to the equity components is $2,363,211 and the resulting discount to the debt is being accreted over the remaining life until maturity using amortized cost method.

Note 7 Long-term Debt – (cont'd)

Loan Facility		**September 30, 2010**		**December 31, 2009**
During August 2009, the Company obtained a bridge loan in the amount of CAD$3,450,000 ($3,215,745) (the "Bridge Loan") that bore interest at the rate of 9% per annum, compounded annually, that matured at the time of initial drawdown under the Loan Facility (see below).				
Shortly after the Bridge Loan the Company entered into a loan facility with Synatom (the "Loan Facility") for CAD$13,800,000 ($12,700,000). The Company used the net proceeds of the Bridge Loan and the Loan Facility for working capital and to advance its mineral properties towards production.				
During October 2009, concurrent with the entering into of the Loan Facility, the Company drew down the first CAD$3,450,000 ($3,339,600) tranche and used the proceeds to repay the Bridge Loan. In addition, the Company paid interest charges of CAD$59,548 ($57,642).				
The Loan Facility is divided into four equal tranches of CAD$3,450,000 each. Only the principal amount of the second tranche may be convertible into common shares of the Company at a conversion price of CAD$0.50 per common share and are subject to anti-dilution adjustments. In accordance with the accounting policy for financial instruments, the convertible debenture was bifurcated into equity and liability components using the relative fair measure method. The equity component was determined using the Black Scholes method with the following assumptions: 102.60% volatility, 0% dividend yield, 0.88% risk-free interest rate and an expected life of 18 months. The liability component was determined using an implied market interest rate of 8.3%.				
The first and second tranches bear interest at the rate of 7% per annum, and each of the third and fourth tranches will bear interest at the rate of 9% per annum, with interest for each tranche compounding annually and accruing from the date of drawdown and payable at the respective tranche maturity date. The maturity date for the funds drawn down under each tranche is 18 months from the actual drawdown date of such tranche.				
As of September 30, 2010, $14,062,254 (CAD$14,468,827) of principal and interest was outstanding and payable.	$	13,671,028	$	5,894,432
Less current portion:		10,241,909		–
	$	3,429,119	$	5,894,432

Note 7 Long-term Debt – (cont'd)

Loan Facility - (cont'd)

For the three months ended September 30, 2010, $131,533 of accretion and accrued interest of $268,972 has been charged to statement of operations and credited to loan facility. For the nine months ended September 30, 2010, $374,315 of accretion and accrued interest of $548,671 has been charged to statement of operations and credited to loan facility. Interest accrued for the three and nine months ended September 30, 2009 was $46,141 for the bridge loan. The amount allocated to the equity components is $785,541 and the resulting discount to the debt is being accreted over the remaining life until maturity using amortized cost method.

Note 8 Commitments and Contingencies

The Company is subject from time to time to legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, the Company's management does not believe that the outcome of any of these legal matters will have a material adverse affect on its consolidated financial position, results of operations or cash flows.

Note 9 Capital Management

The capital structure of the Company consists of shareholders' equity, long-term debt and cash and cash equivalents as noted below:

	September 30, 2010	December 31, 2009
Components of Capital:		
Shareholders' equity	$ 25,916,803	$ 30,528,250
Long-term debt	12,294,212	13,606,403
Less:		
Cash and cash equivalents	(3,144,161)	(3,581,859)
	$ 35,066,854	$ 40,552,794

The Company's objectives when managing capital are:

- to manage capital in a manner which balances the interest of equity and debt holders;
- to manage capital in a manner that will maintain compliance with its financial covenants; and
- to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development.

The Company is seeking additional equity funding to repay its debt obligations and fund it's ongoing operations. There is no guarantee that such funding will be obtainable.

Note 10 Financial Instruments

Fair Value of Financial Instruments

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "*Financial Instruments –Disclosures*" requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the balance sheet at fair value. The fair value hierarchy of financial instruments measured at fair value on the balance sheet date is as follows:

Note 10 Financial Instruments – (cont'd)

Fair Value of Financial Instruments – (cont'd)

As at September 30, 2010

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 3,144,161	$ –	$ –	$ 3,144,161
Restricted cash	558,050	–	–	558,050
	$ 3,702,211	$ –	$ –	$ 3,702,211

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial risk management

In the normal course of operations, the Company is exposed to various risks such as foreign exchange, interest rate, credit, and liquidity risk. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risk are as follows:

- maintaining sound financial condition;
- financing operations; and
- ensuring liquidity to all operations.

The Company requires additional funding by the first quarter of 2011 to continue operations. It is actively seeking equity financing to obtain such funding.

(i) Foreign exchange risk

The foreign exchange risk relates to the risk that the value of financial commitments and recognized assets or liabilities will fluctuate due to changes in currency rates other than the US dollar. The most significant impact of foreign exchange is on the Company's statements of net loss and other comprehensive loss due to the translation of balances denominated in a currency other than the US dollar using the temporal method. The Company is also exposed to foreign exchange risk arising from:

- cash balances held in CAD currencies;
- borrowings denominated in CAD currencies; and
- firm commitments payments settled in CAD currencies or with prices dependent on CAD currencies.

The Company does not hedge its exposure to foreign currency exchange risk.

The Company is exposed to foreign currency risk in respect of trade payables of $42,633 and debt obligations of $23,833,475. At September 30, 2010 this balance was converted at rate of $0.9719 CAD to $1.00 USD.

Note 10 Financial Instruments – (cont'd)

Financial risk management – (cont'd)

(i) Foreign exchange risk – (cont'd)

There are no significant non-financial assets and liabilities that have foreign currency risk exposure.

As at September 30, 2010, with other variables unchanged, a $0.01 strengthening (weakening) of the United States dollar against the Canadian dollar would decrease (increase) the Company's net loss by $270,638.

(ii) Credit risk

Credit risk is primarily associated with receivables, HST recoverable and to a lesser extent, cash equivalents. The Company closely monitors its financial assets and does not have any significant concentration of credit risk. The Company does not sell a product and therefore does not have credit risks associated with trade receivables. Cash and cash equivalents are held through large international financial institutions. Cash and cash equivalents are comprised of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature within 90 days of the balance sheet date. The Company is not exposed to significant credit risk as the HST recoverable is due from government agencies. The Company's maximum exposure to credit risk at the balance sheet date is as follows:

	September 30, 2010	December 31, 2009
Cash and cash equivalents	$ 3,144,161	$ 3,581,859
Receivables	11,977	35,979
	$ 3,156,138	$ 3,617,838

(iii) Liquidity risk

The Company has a cash forecast and budgeting process in place to assist with the determination of funds required to support the Company's operating requirements on an ongoing basis and its expansion plans. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9. The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations as of September 30, 2010:

	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	Total
Lease obligations	$ 349,607	$ 698,655	$ 117,572	$ 8,000	$ 1,173,834
Accounts payable and accrued liabilities	490,935	–	–	–	490,935
Purchase option	9,348,000	–	–	–	9,348,000
Agreements payable	390,000	970,000	80,000	60,000	1,500,000
Loan facility	10,633,135	3,429,119	–	–	14,062,254
Convertible debt	–	9,771,221	–	–	9,771,221
	$ 21,211,677	$ 14,868,995	$ 197,572	$ 68,000	$ 36,346,244

The convertible debenture and the second tranche of the loan facility is convertible to cash or shares, and may not result in a cash outflow.

The Company requires additional funding by the first quarter of 2011 to continue operations. It is actively seeking equity financing to obtain such funding.

Note 10 Financial Instruments – (cont'd)

Financial risk management – (cont'd)

(iv) Interest rate risk

The Company is exposed to interest rate risk on its outstanding short-term investments. The Company is not exposed to interest rate risk on its outstanding borrowings. The only outstanding interest-bearing borrowings as at September 30, 2010 are the Debenture and the Loan Facility, which have a fixed interest rate.

Note 11 Comparative Figures

Certain comparative figures as at and for the three- and nine-month periods ended September 30, 2009 have been reclassified in order to comply with the financial statement presentation adopted for the current period.

In addition, due to the change in functional currency as of April 1, 2009, (see the Company's December 31, 2009 annual financial statements as filed on SEDAR on February 24, 2010 for further discussion), in accordance with Canadian generally accepted accounting principles, the Company is required to restate all amounts presented for comparative purposes into USD dollars using the current rate method, whereby all income statement and cash flows are translated at the average rates that were in effect during these periods and all assets and liabilities are translated at the closing rate in effect at the end of these periods. Equity transactions have been translated at historic rates.