



**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2011

(Stated in United States Dollars)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated financial statements for Powertech Uranium Corp have been prepared by management in accordance with International Financial Reporting Standards. 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 condensed consolidated financial statements in accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators.

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)  
June 30, 2011 and December 31, 2010  
(Stated in United States Dollars)

	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>January 1,</u> <u>2010</u>
<b><u>ASSETS</u></b>			
Current			
Cash and cash equivalents	\$ 7,085,313	\$ 1,857,358	\$ 3,581,859
Receivable	34,383	18,515	35,979
Deposits	29,885	29,648	19,648
Prepaid expenses – Note 9	<u>43,487</u>	<u>155,845</u>	<u>193,447</u>
	7,193,068	2,061,366	3,830,933
Non-current			
Restricted cash	285,530	285,428	557,882
Mineral properties – Notes 6, 8, 14 and Schedule 1	44,986,824	45,484,776	40,276,513
Building and equipment – Note 7	<u>263,358</u>	<u>321,731</u>	<u>426,028</u>
Total assets	<u>\$ 52,728,780</u>	<u>\$ 48,153,301</u>	<u>\$ 45,091,356</u>
<b><u>LIABILITIES</u></b>			
Current			
Accounts payable and accrued liabilities – Note 10	\$ 495,931	\$ 329,334	\$ 576,303
Current portion of long-term debt – Note 8	<u>390,000</u>	<u>25,482,916</u>	<u>290,000</u>
	885,931	25,812,250	866,303
Non-current			
Long-term debt			
Agreements payable – Note 8	819,715	811,645	659,811
Loan facility payable – Notes 8 and 9	–	–	6,900,322
Convertible note payable – Notes 8 and 9	–	–	10,621,725
Convertible promissory note payable – Notes 8 and 9	<u>7,738,001</u>	<u>–</u>	<u>–</u>
	<u>9,443,647</u>	<u>26,623,895</u>	<u>19,048,161</u>
Total liabilities and shareholder's equity	<u>\$ 52,728,780</u>	<u>\$ 48,153,301</u>	<u>\$ 45,091,356</u>
<b><u>SHAREHOLDER'S EQUITY</u></b>			
Share capital – Note 9	71,950,055	50,831,518	50,831,518
Contributed surplus – Note 9	7,224,676	6,855,957	6,817,117
Deficit	<u>(35,889,598)</u>	<u>(36,158,069)</u>	<u>(31,605,440)</u>
	<u>43,285,133</u>	<u>21,529,406</u>	<u>26,043,195</u>
Total liabilities and shareholder's equity	<u>\$ 52,728,780</u>	<u>\$ 48,153,301</u>	<u>\$ 45,091,356</u>

APPROVED BY THE DIRECTORS:

<u>“Richard F. Clement, Jr.”</u> Richard F. Clement, Jr.	Director	<u>“Thomas Doyle”</u> Thomas Doyle	Director
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SEE ACCOMPANYING NOTES

**POWERTECH URANIUM CORP.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME/(LOSS) (UNAUDITED)**

for the three and six months ended June 30, 2011 and 2010

(Stated in United States Dollars)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General and administrative expenses				
Amortization and depreciation	\$ 29,186	\$ 36,126	\$ 58,373	\$ 71,292
Audit and accounting fees	16,893	482	64,846	13,565
Community and media relations	9,900	37,262	21,622	101,648
Director fees – Note 10	15,372	8,762	26,018	17,407
Filing fees	333	382	120,225	18,738
Foreign exchange loss (gain)	1,553	(482,154)	650,155	312,753
Insurance	22,210	24,180	45,443	46,868
Investor relations and promotion	13,530	45,543	55,511	67,586
Legal fees	66,564	37,175	118,827	60,423
Management and consulting fees – Note 10	125,010	138,862	280,402	276,667
Office and miscellaneous	107,758	125,969	230,720	259,517
Transfer agent fees	9,485	5,582	19,455	7,081
Travel and accommodation	75,392	69,770	196,791	143,218
Wages and benefits	<u>279,552</u>	<u>276,805</u>	<u>570,633</u>	<u>570,645</u>
Loss from operations	(772,738)	(324,746)	(2,459,021)	(1,967,408)
Finance income (costs)				
Interest income	4,248	430	6,307	568
Interest expense on long-term debt – Note 8	–	(354,032)	(375,913)	(622,789)
Accretion – Note 8	(168,558)	(470,933)	(1,670,399)	(923,771)
Gain on re-measurement of derivative liability – Note 8	105,168	1,616,628	1,639,486	4,530,456
Gain on extinguishment of debt – Note 8	–	–	5,431,452	–
Other Costs				
Impairment charges – Notes 6 and 14	<u>(2,303,441)</u>	<u>–</u>	<u>(2,303,441)</u>	<u>–</u>
	(2,362,583)	792,093	2,727,492	2,984,464
Net income (loss) and comprehensive income (loss) for the period	\$ (3,135,321)	\$ 467,347	\$ 268,471	\$ 1,017,056
Basic income (loss) per common share – Note 12	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>
Diluted income (loss) per common share – Note 12	<u>\$ (0.03)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Basic weighted average number of shares outstanding – Note 12	<u>103,301,362</u>	<u>55,429,022</u>	<u>83,729,245</u>	<u>55,429,022</u>
Diluted weighted average number of shares outstanding – Note 12	<u>147,284,234</u>	<u>90,198,601</u>	<u>127,712,117</u>	<u>90,198,601</u>

SEE ACCOMPANYING NOTES

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ended June 30, 2011 and 2010  
(Stated in United States Dollars)

	Number of Common Shares	Share capital	Contributed Surplus	Deficit	Total
Balance, January 1, 2010	55,429,022	\$ 50,831,518	\$ 6,817,117	\$ (31,605,440)	\$ 26,043,195
Total comprehensive income for period		-	-	1,017,056	1,017,056
Stock-based compensation (Note 9)		-	20,729	-	20,729
<b>Balance, June 30, 2010</b>	<b>55,429,022</b>	<b>\$ 50,831,518</b>	<b>\$ 6,837,846</b>	<b>\$ (30,588,384)</b>	<b>\$ 27,080,980</b>
Total comprehensive income for period		-	-	(5,569,685)	(5,569,685)
Stock-based compensation (Note 9)		-	18,111	-	18,111
Balance, December 31, 2010	55,429,022	\$ 50,831,518	\$ 6,855,957	\$ (36,158,069)	\$ 21,529,406
Share issuance (Note 9)	47,872,340	23,105,250	-	-	23,105,250
Share issue costs		(1,626,094)	-	-	(1,626,094)
Fair value of agent warrants		(360,619)	360,619	-	-
Stock-based compensation (Note 9)		-	8,100	-	8,100
Total comprehensive income for period		-	-	268,471	268,471
<b>Balance, June 30, 2011</b>	<b>103,301,362</b>	<b>\$ 71,950,055</b>	<b>\$ 7,224,676</b>	<b>\$ (35,889,598)</b>	<b>\$ 43,285,133</b>

SEE ACCOMPANYING NOTES

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
for the three and six months ended June 30, 2011 and 2010  
(Stated in United States Dollars)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Operating Activities				
Net income (loss) for the period	\$ (3,135,321)	\$ 467,347	\$ 268,471	\$ 1,017,056
Items not affecting cash:				
Accretion	168,558	470,933	1,670,399	923,771
Depreciation and amortization	29,186	36,126	58,373	71,292
Impairment	2,303,441	-	2,303,441	-
Gain on re-measurement of derivative liability	(105,168)	(1,616,628)	(1,639,486)	(4,530,456)
Gain on extinguishment of debt	-	-	(5,431,452)	-
Interest accrual	-	354,032	375,913	622,789
Unrealized foreign exchange loss (gain)	<u>5,067</u>	<u>(366,422)</u>	<u>189,052</u>	<u>355,506</u>
	(734,237)	(654,612)	(2,205,289)	(1,540,042)
Net change in non-cash working capital balances:				
Receivables	18,684	2,100	(15,738)	35,160
Deposits	-	20,000	-	-
Prepaid expenses	90,782	63,783	113,562	82,369
Accounts payable and accrued liabilities	<u>270,594</u>	<u>603,518</u>	<u>459,813</u>	<u>522,674</u>
Cash (used in) provided by operations	<u>(354,177)</u>	<u>34,789</u>	<u>(1,647,652)</u>	<u>(899,839)</u>
Investing Activities				
Mineral property interests	(1,622,597)	(2,293,677)	(2,092,053)	(3,495,666)
Building and equipment	<u>-</u>	<u>(46,658)</u>	<u>-</u>	<u>(46,658)</u>
Cash used in investing activities	<u>(1,622,597)</u>	<u>(2,340,335)</u>	<u>(2,092,053)</u>	<u>(3,542,324)</u>
Financing Activities				
Long-term debt issuances	-	3,290,610	7,195,473	6,674,232
Long-term debt repayment	(30,000)	(30,000)	(20,103,471)	(40,000)
Issuance of common shares	-	-	23,105,250	-
Costs of issuance of common shares	-	-	(1,626,094)	-
Issuance of warrants	<u>-</u>	<u>-</u>	<u>360,619</u>	<u>-</u>
Cash (used) provided by financing activities	<u>(30,000)</u>	<u>3,260,610</u>	<u>8,931,777</u>	<u>6,634,232</u>
Foreign exchange effect on cash	(39,899)	(169,040)	35,883	(24,674)
Increase (decrease) in cash during the period	(2,046,673)	786,024	5,227,955	2,167,395
Cash and cash equivalents, beginning of the period	<u>9,131,986</u>	<u>4,963,230</u>	<u>1,857,358</u>	<u>3,581,859</u>
Cash and cash equivalents, end of the period	<u>\$ 7,085,313</u>	<u>\$ 5,749,254</u>	<u>\$ 7,085,313</u>	<u>\$ 5,749,254</u>
Cash and cash equivalents consists of:				
Cash	\$ 182,242	\$ 5,749,254	\$ 182,242	\$ 5,749,254
Term deposits	<u>6,903,071</u>	<u>-</u>	<u>6,903,071</u>	<u>-</u>
	<u>\$ 7,085,313</u>	<u>\$ 5,749,254</u>	<u>\$ 7,085,313</u>	<u>\$ 5,749,254</u>

Non-cash Transactions – Notes 11

SEE ACCOMPANYING NOTES

**POWERTECH URANIUM CORP.**  
 (An Exploration Stage Company)  
**CONDENSED CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES (UNAUDITED)**  
 for the six months ended June 30, 2011 and year ended December 31, 2010  
 (Stated in United States Dollars)

	<u>South Dakota</u>	<u>Wyoming</u>	<u>Colorado</u>	<u>Other</u>	<u>Total</u>
Balance, January 1, 2010	\$21,173,616	\$3,315,088	\$15,653,520	\$ 134,289	\$ 40,276,513
Acquisitions – Note 6	–	–	375,000	–	375,000
Land services	36,180	–	36,070	–	72,250
Legal fees	302,828	–	233,101	–	535,929
Claims fees	63,062	117,070	–	–	180,132
Land/lease payments	532,612	73,749	122,264	–	728,625
Drilling/ Engineering	38,268	–	129,250	–	167,518
Feasibility study	160,263	–	160,441	–	320,704
Permitting	1,317,733	–	427,685	–	1,745,418
Write-down – Note 6 and 14	(36,847)	(231,716)	–	(134,289)	(402,852)
Wages/consulting – Note 9	<u>852,719</u>	<u>–</u>	<u>632,820</u>	<u>–</u>	<u>1,485,539</u>
Balance, December 31, 2010	\$24,440,434	\$3,274,191	\$17,770,151	\$ –	\$ 45,484,776
Land services	7,000	7,000	7,000	–	21,000
Legal fees	199,544	–	(3,532)	–	196,012
Claims fees	(200)	51,221	–	–	51,021
Land/lease payments	61,753	54,262	26,700	–	142,715
Drilling/ Engineering	11,616	–	(1,112)	–	10,504
Permitting	680,931	–	(647)	–	680,284
Exploration	–	5,000	–	–	5,000
Write-down – Note 6 and 14	–	–	(2,303,441)	–	(2,303,441)
Wages/Consulting – Note 9	<u>472,452</u>	<u>20,250</u>	<u>206,251</u>	<u>–</u>	<u>698,953</u>
Balance, June 30, 2011	<u>\$ 25,873,530</u>	<u>\$3,411,924</u>	<u>\$15,701,370</u>	<u>\$ –</u>	<u>\$ 44,986,824</u>

SEE ACOMPANYING NOTES

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010  
(UNAUDITED)

Note 1 Nature of Operations

The Company was incorporated in British Columbia on February 10, 1984. The Company's common 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 located in South Dakota, Wyoming, and Colorado, USA.

The Company's operations offices for its uranium projects are located in Wellington, Colorado and Edgemont, South Dakota. The Company also maintains exploration offices in Albuquerque, New Mexico and Hot Springs, South Dakota, with an administration office in Vancouver, British Columbia and headquarters in Greenwood Village, Colorado.

The Company is in the process of evaluating 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 amounts 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. See the Company's annual financial statements for the year ended December 31, 2010 as filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on March 28, 2011 for a complete risk discussion.

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 condensed 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 June 30, 2011, the Company had not yet achieved profitable operations, had a deficit of \$35,889,598 and working capital of \$6,306,137. The Company's focus is the furthering its permitting application. Therefore it will incur future losses which cast 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. Although the Company has successfully raised funds in the past, there is no assurance that it will be able to do so in the future.

Note 2 Statement of Compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

These are the Company's second IFRS condensed consolidated interim financial statements for part of the period covered by the Company's first IFRS annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover "GAAP"). Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group are

Note 2      Statement of Compliance – (cont'd)

provided in Note 4. This note includes reconciliations of equity and profit or loss for comparative periods reported under Canadian GAAP to those reported for those periods under IFRS.

As these are the Company's second set of condensed consolidated interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim condensed consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 29, 2011.

Note 3      Basis of Measurement

The condensed interim financial statements have been prepared on a historical cost basis and are presented in US dollars, which is also the Company's functional currency. References to "CAD\$" refer to Canadian currency and "\$" to United States currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Note 4      First-time Adoption of IFRS

The Company has adopted IFRS for the year ending December 31, 2011 with a transition date of January 1, 2010. Under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company applied the following optional and mandatory exemptions:

*Business combinations:* The Company elected not to retrospectively apply IFRS 3: Business Combinations to any business combinations that may have occurred prior to its transition date and such business combinations have not been restated.

*Share-based payment transactions:* The Company has elected not to retrospectively apply IFRS 2: Share-based Payment to equity instruments that were granted and had vested prior to the transition date. As a result of applying this exemption, the Company applied the provisions of IFRS 2 only to all outstanding equity instruments that were unvested as of the transition date.

*Leases:* The Company elects to determine whether an arrangement existing as the transition date contains a lease on the basis of facts and circumstances at that date.

*Cumulative translation adjustments:* The Company elected to reset all cumulative translation differences to zero as of the transition date. This election was applied to all foreign operations as of the transition date.

Note 4 First-time Adoption of IFRS – (cont'd)

*Compound financial instruments:* The Company elected not to retrospectively separate the liability and equity components of compound financial instruments for which the liability component is no longer outstanding as of the transition date.

*Borrowing costs:* The Company elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the transition date.

*Estimates:* The estimates previously made by the Company under pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

IFRS employs a conceptual framework that is similar to Canadian GAAP. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in significant changes to the reported financial position and results of operations of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP.

The table below reconciles the significant changes to the Company's financial position due to the transition to IFRS as of January 1, 2010:

	Note	Canadian GAAP	Effect of transition	IFRS
<b>ASSETS</b>				
Current				
Cash and cash equivalents		\$ 3,581,859	\$ –	\$ 3,581,859
Receivable		35,979	–	35,979
Deposits		19,648	–	19,648
Prepaid expenses		193,447	–	193,447
		3,830,933	–	3,830,933
Restricted cash		557,882	–	557,882
Mineral properties	a	40,186,113	90,400	40,276,513
Building and equipment		426,028	–	426,028
		\$ 45,000,956	\$ 90,400	\$ 45,091,356
<b>LIABILITIES</b>				
Current				
AP and accrued liabilities		\$ 576,303	\$ –	\$ 576,303
Current portion of long-term debt		290,000	–	290,000
		866,303	–	866,303
Agreements payable		659,811	–	659,811
Loan Facility payable	b	5,894,432	1,005,890	6,900,322
Convertible debt payable	b	7,052,160	3,569,565	10,621,725
		14,472,706	4,575,455	19,048,161
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		50,831,518	–	50,831,518
Contributed surplus	a	6,726,716	90,401	6,817,117
Equity portion of convertible debt	b	2,363,211	(2,363,211)	–
Equity portion of loan facility	b	785,541	(785,541)	–
Accumulated other comprehensive loss	c	(5,004,102)	5,004,102	–
Deficit		(25,174,634)	(6,430,806)	(31,605,440)
		30,528,250	(4,485,055)	26,043,195
		\$ 45,000,956	\$ 90,400	\$ 45,091,356

Powertech Uranium Corp.  
(An Exploration Stage Company)  
Notes to the Condensed Financial Statements  
June 30, 2011 and 2010 – Page 4  
(unaudited)

Note 4 First-time Adoption of IFRS – (cont'd)

The table below reconciles the significant changes to the Company's financial position as of June 30, 2010 due to the transition to IFRS:

	Note	Canadian GAAP	Effect of transition	IFRS
<b>ASSETS</b>				
Current				
Cash and cash equivalents		\$ 5,749,254	\$ –	\$ 5,749,254
Receivable		1,462	–	1,462
Deposits		19,648	–	19,648
Prepaid expenses		111,187	–	111,187
		5,881,551	–	5,881,551
Restricted cash		558,050	–	558,050
Mineral properties	a	43,208,375	60,367	43,268,742
Building and equipment		401,394	–	401,394
		\$ 50,049,370	\$ 60,367	\$ 50,109,737
<b>LIABILITIES</b>				
Current				
AP and accrued liabilities		\$ 575,600	\$ –	\$ 575,600
Current portion of long-term debt	b	6,658,024	(94,727)	6,563,297
		7,233,624	–	7,138,897
Agreements payable		652,815	–	652,815
Loan Facility payable		6,658,659	–	6,658,659
Convertible debt payable	b	7,801,225	777,161	8,578,386
		22,346,323	682,434	23,028,757
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		50,831,518	–	50,831,518
Contributed surplus	a	6,777,479	60,367	6,837,846
Equity portion of convertible debt	b	2,363,211	(2,363,211)	–
Equity portion of loan facility	b	785,541	(785,541)	–
Accumulated other comprehensive loss	c	(5,004,102)	5,004,102	–
Deficit		(28,050,600)	(2,537,784)	(30,588,384)
		27,703,047	(622,067)	27,080,980
		\$ 50,049,370	\$ 60,367	\$ 50,109,737

Note 4 First-time Adoption of IFRS – (cont'd)

The table below reconciles the significant changes to the Company's financial position as of December 31, 2010 due to the transition to IFRS:

	Note	Canadian GAAP	Effect of transition	IFRS
<b>ASSETS</b>				
Current				
Cash and cash equivalents		\$ 1,857,358	\$ –	\$ 1,857,358
Receivable		18,515	–	18,515
Deposits		29,648	–	29,648
Prepaid expenses		155,845	–	155,845
		2,061,366	–	2,061,366
Restricted cash		285,428	–	285,428
Mineral properties	a	45,435,120	49,656	45,484,776
Building and equipment		321,731	–	321,731
		\$ 48,103,645	\$ 49,656	\$ 48,153,301
<b>LIABILITIES</b>				
Current				
AP and accrued liabilities		\$ 329,334	\$ –	\$ 329,334
Current portion of long-term debt	b	23,921,936	1,560,980	25,482,916
		24,251,270	1,560,980	25,812,250
Agreements payable		811,645	–	811,645
Loan Facility payable		–	–	–
Convertible debt payable		–	–	–
		25,062,915	1,560,980	26,623,895
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		50,831,518	–	50,831,518
Contributed surplus	a	6,806,299	49,658	6,855,957
Equity portion of convertible debt	b	2,363,211	(2,363,211)	–
Equity portion of loan facility	b	785,541	(785,541)	–
Accumulated other comprehensive loss	c	(5,004,102)	5,004,102	–
Deficit		(32,741,737)	(3,416,332)	(36,158,069)
		23,040,730	(1,511,324)	21,529,406
		\$ 48,103,645	\$ 49,656	\$ 48,153,301

- a. The transition adjustment is due to a change in the amortization method for stock-based compensation over the vesting period for options granted but not fully vested as of January 1, 2010. Under Canadian GAAP, the Company utilized the straight-line method to amortize stock-based compensation over the vesting period. IFRS requires an accelerated method over the vesting period. The compensation charge directly attributable to the development and progression of the mineral properties are capitalized. As a result of the change in the amortization method, the impact on the statement of financial position and statement of comprehensive income (loss) for the periods ended was:

January 1, 2010: increase mineral properties and increase contributed surplus by \$90,400.

June 20, 2010: increase mineral properties and increase contributed surplus by \$60,367

December 31, 2010: increase mineral properties and increase contributed surplus by \$49,656

- b. The transition adjustment is due to a change in accounting for financial instruments. Under Canadian GAAP, the Company bifurcated its debt obligations with a convertible feature into equity and liability components using the relative fair value method. The equity component

Note 4 First-time Adoption of IFRS – (cont'd)

was determined using the Black-Scholes method. The liability component was determined using implied interest rates relevant at inception of the debt. The resulting equity and discounted debt was accreted over the life of the debt obligation until maturity using the amortized cost method.

Under IFRS, the debt obligations have an embedded foreign currency derivative as the conversion price is denominated in CAD while the functional currency for the Company is USD which creates an embedded derivative rather than an equity instrument. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative. This initial amount is accreted back to the host instrument over the life of the debt obligation until maturity. Each reporting period, the Company is required to fair value this embedded derivative using a valuation technique. Any adjustment in the fair value of the embedded derivative is recorded through profit and loss. As a result of the change in policy for accounting for compound financial instruments, the impact on the statement of financial position and statement of comprehensive income (loss) for the periods ended was:

January 1, 2010: increase loan facility payable and convertible debt payable by \$5,496,214, decrease equity portion of convertible debt and loan facility by \$3,148,752 and increase deficit by the remainder.

June 30, 2010: increase current portion of loan facility payable and convertible debt payable by \$682,434, decrease equity portion of convertible debt and loan facility by \$3,148,752 and decrease accumulated deficit by the remainder.

December 31 2010: increase loan facility payable and convertible debt payable by \$1,560,980, decrease equity portion of convertible debt and loan facility by \$3,148,752 and decrease deficit by the remainder.

- c. The Company elected to set its cumulative translation differences to zero in accordance with IFRS 1. As a result of the election, the impact on the statement of financial position was:

January 1, 2010, March 31, 2010 and December 31, 2010: decrease accumulated other comprehensive loss and increase deficit by \$5,004,102.

The table below reconciles the significant changes to the Company's net income (loss) and comprehensive income (loss) due to the transition to IFRS.

	Note	June 30, 2010			December 31, 2010		
		Canadian GAAP	Effect of transition	IFRS	Canadian GAAP	Effect of transition	IFRS
Net and comprehensive (loss) income	d	\$ (2,875,966)	\$ 3,893,022	\$ 1,017,056	\$ (7,567,103)	\$ 3,014,474	\$(4,552,629)
Basic (loss) income per common share		\$ (0.05)	\$ 0.07	\$ 0.02	\$ (0.14)	\$ 0.05	\$ (0.09)

- d. Transition adjustment is due to the change in accounting for compound financial instruments discussed in (b) above, specifically relating to re-calculation of accretion expense and gain/loss on re-measurement of derivative liabilities each period in the statement of comprehensive

Note 4 First-time Adoption of IFRS – (cont'd)

income (loss) the a corresponding entry to the loan facility payable and convertible debt payable.

The restatement from Canadian GAAP to IFRS has no significant effect on the reported cash flows generated by the Company. The reconciling items between Canadian GAAP and IFRS presentation have no net effect on the cash flows generated.

Note 5 Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year-ending December 31, 2011 and have been applied consistently to all periods presented in these condensed financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise noted.

**Significant accounting judgments and estimates**

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, 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:

- the recoverability of amounts receivable and prepayments which are included in the condensed interim statement of financial position;
- the estimated useful lives of property, plant and equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the statement of comprehensive loss;
- the inputs used in accounting for share purchase option expense in the condensed interim statement of comprehensive income (loss);
- the inputs used in determining the net present value of the liabilities for asset retirement obligations included in the condensed consolidated interim statement of financial position; and
- the inputs used in determining the various commitments and contingencies accrued in the condensed consolidated interim statement of financial position.

**Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Powertech (USA) Inc., a South Dakota corporation. All significant inter-company balances and transactions have been eliminated.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of bank deposits and guaranteed investment certificates. These investments are easily convertible to known amounts of cash, are subject to insignificant risk of change in value, and have maturities of three months or less when purchased. Cash and cash

Note 5      Significant Accounting Policies – (cont'd)

**Cash and Cash Equivalents** – (cont'd)

equivalents are classified as held for trading and carried at fair value. For cash flow presentation purposes, cash and cash equivalents includes bank overdrafts.

**Restricted Cash**

Restricted cash consists of deposits held for collateral pursuant to bonds provided to State authorities in connection with mineral property activities as well as the balance of \$26,500 in restricted funds that is used to secure corporate credit card.

**Asset Retirement Obligations**

The Company is subject to various government laws and regulations relating to environmental disturbances cause the exploration and evaluation activities. The Company records the present value for the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The Company has determined that there are no additional asset retirement obligations at December 31, 2010 as the Company has secured such estimated costs with the State agencies in which its activities are located.

**Building and Equipment**

On initial recognition, building and equipment (“B&E”) are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability, as anticipated, is recognized within provisions.

B&E is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of B&E have different useful lives, they are accounted for as separate items (major components) of B&E.

The cost of replacing part of an item of B&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of B&E are recognized in profit and loss as incurred.

Depreciation is provided using the double declining balance method at 40% per annum over a five year useful life for computer, field and office equipment and vehicles. Depreciation is recorded using the straight-line method over a 40 year useful life for buildings. Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted as appropriate.

**Mineral Properties**

*Pre-exploration costs* are expensed in the period in which they occur.

Note 5      Significant Accounting Policies – (cont'd)

**Mineral Properties** – (cont'd)

*Exploration and evaluation expenditures* are capitalized in the period in which they occur once the legal right to explore a property has been acquired. This includes any acquisition costs associated with such property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, contractor payments, land payments, claims maintenance and certain employee costs. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may, at its discretion, enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Any such impairment charges will be written off to the statement of comprehensive loss.

Once the technical feasibility and commercial viability of extracting the resource has been determined, the property will be considered a mine under development and will be classified as "mines under construction." Exploration and evaluation assets will also be tested for impairment at this point prior to transferring the assets to development properties.

Mineral exploration and evaluation expenditures are classified as intangible assets.

**Impairment of Long-lived Assets**

Long-lived assets and intangibles held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company considers each project and/or prospect to be a cash-generating unit separate from the other projects and/or prospects.

Impairment charges are recorded in statement of comprehensive income (loss) in the period in which the evaluation was completed. See Notes 6 and 14 for further discussion.

During transition to IFRS, the Company performed an initial impairment assessment on its long-lived assets as of the transition date and reviewed its impairment charges for the year ended December 31, 2010. This assessment/review concluded that there was no impairment as of the transition date and no changes to impairment charges taken during the year ended December 31, 2010.

Note 5      Significant Accounting Policies – (cont'd)

**Income Taxes**

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantially enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for certain temporary differences. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Annually, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Company evaluated its tax position at the transition date and December 31, 2010 for any changes from GAAP to IFRS. No material differences were noted during this evaluation.

**Share-based payments**

When equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in net income (loss) and financial position over the vesting period, described as the period during which all vesting conditions are to be satisfied. The compensation charge directly attributable to the development and progression of the mineral properties are capitalized.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in statement of comprehensive income (loss), unless they are related to the issuance of common shares.

Amounts related to the issuance of common shares are recorded as a reduction of share capital. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted based on management's best estimate, for the effects of transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where the grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate. See Note 9 for discussion of the Company's stock option plan.

Note 5      Significant Accounting Policies – (cont'd)

**Basic and Diluted Income Per Common Share**

Basic income per common share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted income per common share reflect the potential dilution that could occur if potentially dilutive securities, such as convertible debt obligations, warrants, and the vested portion of stock options outstanding, were exercised or converted to common stock, only to the extent that they are not antidilutive.

**Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or financial liability. The Company's common shares, preferred shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction from the proceeds.

**Foreign Currency Translation**

The Company's functional currency is US dollars. At the transaction date, each asset, liability, revenue and expense dominated in a foreign currency is translated to US dollars by the use of the exchange rate in effect at that date. Non-monetary assets and liabilities that are measured at historical cost are translated into US dollars by using the exchange rate in effect at the date of initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into US dollars by using the exchange rate at the date the value is determined and the related translation differences are recognized in statement of comprehensive income (loss).

**Financial Instruments**

Financial assets and financial liabilities, including derivatives, are measured at fair value through profit and loss on initial recognition and recorded on the balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair valued, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities at fair value through profit and loss are measured at fair value with changes in those fair values recognized in statement of comprehensive income (loss). Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. The Company does not currently have any available-for-sale financial assets or investments in equity instruments.

Derivative instruments, including embedded derivatives, are measured at fair value with any changes in the fair values of derivative instruments being recognized in profit and loss with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges. The disclosure of the Company financial instruments is further described in Note 8.

Note 5      Significant Accounting Policies – (cont'd)

**Financial Instruments** – (cont'd)

Financial instruments recorded at fair value on the condensed 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);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents, receivables, deposits and restricted cash are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, current portion of long-term debt, agreements payable and convertible promissory note payable are classified as other financial liabilities and are measured at amortized cost. Embedded derivatives are classified as fair value through profit or loss and measured at fair value.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**Derivative Financial Instruments**

The Company may issue compound financial instruments with embedded derivatives. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive income (loss).

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. Subsequent to initial recognition, the host contract liability is measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or accretion expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability on initial recognition.

The embedded derivative is fair valued each reporting period using the black-scholes valuation model with changes in the fair value being recognized immediately in earnings.

Note 5      Significant Accounting Policies – (cont'd)

**Future accounting changes**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of “January 1, 2004” with “the date of transition to IFRS.” This eliminates the need for the

Company to restate derecognition transactions that occurred before the date of transition to IFRS. The amendment is effective for year-ends beginning on or after July 1, 2011. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will or may have an effect on the Company’s future results and financial position:

IFRS 9 “Financial Instruments”: IFRS 9 is part of the IASB’s wider project to replace IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard on its financial position.

The following new standards, amendments and interpretations, that have not been early adopted in these interim condensed financial statements, will not have an effect on the Company’s future results and financial position:

- IFRS 1 “Severe Hyperinflation” (effective for periods beginning on or after July 1, 2011)
- IAS 12 “Deferred Tax: Recovery of Underlying Assets” (effective for periods beginning on or after January 1, 2012)
- IFRS 10, “Consolidated Financial Statements”, establishing principles for the presentation and preparation of consolidated financial statements (effective for periods beginning on or after January 1, 2013)
- IFRS 11, “Joint Arrangements”, which sets out principles for the financial reporting of joint arrangements (effective for periods beginning on or after January 1, 2013)
- IFRS 13, “Fair Value Measurement”, which establishes the principles to define, measure and disclose fair values (effective for periods beginning on or after January 1, 2013)
- IFRS 12, “Disclosure of Interests in Other Entities”, to address an interest in a subsidiary, a joint arrangement, as associate or an unconsolidated structured entity (effective for periods beginning on or after January 1, 2013)

Note 6 Mineral Properties

**South Dakota, USA**

Plum Creek Prospect, Fall River County

As of December 31, 2009, the Company has staked 137 mining claims on approximately 2,700 acres of federal minerals along the southern flank of the Black Hills Uplift in central Fall River County, South Dakota. During 2010, the Company elected not to continue its annual maintenance payments on 79 claims. The remaining 58 claims cover approximately 1,000 acres. Although, the Company believes the remaining claims will lead to a viable project, as a result, of the dropped claims and the Company's focus on its two core projects, the Company wrote-down historical capitalized costs associated with Plum Creek in the amount of approximately \$37,000 (January 1, 2010: \$nil).

**Colorado, USA**

Centennial Project – Weld County

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. During June 2011, the Company did not exercise its option thus terminating the option agreements. As a result, the Company wrote-down all historical charges associated with those agreements in the amount of approximately \$2,300,000.

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.

Powertech's gross mineral rights at the Centennial Project, after the termination of the option agreements, has decreased from approximately 9,500 acres to approximately 7,100 acres and the surface use acreage has decreased from approximately 7,200 acres to approximately 3,700 acres.

**Wyoming, USA**

Dewey Terrace Prospect – Weston and Niobrara Counties

The Dewey Terrace Prospect is located in Weston and Niobrara Counties, Wyoming on the western continuation of mineralized trends from the Dewey Burdock Project in South Dakota. Powertech acquired this prospect through 16 leases and options to lease and staking 765 mining claims, totalling approximately 18,400 acres. During 2010, the Company elected not to continue its annual maintenance payments on 165 claims and 4 leases or options to lease. As a result, the Company wrote-down all historical charges associated with those claims in the amount of approximately

Note 6 Mineral Properties – (cont'd)

**Wyoming, USA** – (cont'd)

Dewey Terrace Prospect – Weston and Niobrara Counties – (cont'd)

\$113,000 (January 1, 2010: \$nil). The remaining 600 claims and leases or options to lease cover approximately 16,440 acres.

Colony Prospect – Crook County

The Colony Prospect is located on the northwest flank of the Black Hills Uplift. The Company acquired the Colony prospect through the staking of 190 mining claims through December 31, 2009.

During 2010, the Company elected not to continue its annual maintenance payments on 172 claims. As a result, the Company wrote-down all historical charges associated with those claims in the amount of approximately \$117,800 (January 1, 2010: \$nil).

Powder River Basin Prospect – Campbell County

Through December 31, 2010, the Company acquired the Powder River Basin prospect through staking 155 mining claims. During January 2011, the Company staked an additional 90 claims in this area.

**Texas, USA**

Foster's Ranch Prospect – Duval County

The Company has chosen to abandon this prospect as costs associated with development are too high. As a result, the Company has written-off all capitalized costs associated with this prospect as of December 31, 2010 in the amount of approximately \$134,000 (January 1, 2010: \$nil).

Powertech Uranium Corp.  
(An Exploration Stage Company)  
Notes to the Condensed Financial Statements  
June 30, 2011 and 2010 – Page 16  
(unaudited)

Note 7 Building and Equipment

	<u>Building</u>	<u>Computer equipment</u>	<u>Field equipment</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost</b>						
Balance, January 1, 2010	\$ 92,628	\$ 239,045	\$ 235,136	\$ 70,977	\$ 169,718	\$ 807,504
Additions	<u>—</u>	<u>1,619</u>	<u>43,129</u>	<u>1,910</u>	<u>—</u>	<u>46,658</u>
Balance, December 31, 2010	92,628	240,664	278,265	72,887	169,718	854,162
Additions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance, June 30, 2011	<u>\$ 92,628</u>	<u>\$ 240,664</u>	<u>\$ 278,265</u>	<u>\$ 72,887</u>	<u>\$ 169,718</u>	<u>\$ 854,162</u>
<b>Depreciation</b>						
Balance, January 1, 2010	\$ 2,087	\$ 108,467	\$ 111,201	\$ 38,047	\$ 121,674	\$ 381,476
For the period	<u>2,315</u>	<u>53,676</u>	<u>58,920</u>	<u>14,102</u>	<u>21,942</u>	<u>150,955</u>
Balance, December 31, 2010	4,402	162,143	170,121	52,149	143,616	532,431
For the period	<u>1,158</u>	<u>18,828</u>	<u>22,845</u>	<u>5,096</u>	<u>10,446</u>	<u>58,373</u>
Balance, June 30, 2011	<u>\$ 5,560</u>	<u>\$ 180,971</u>	<u>\$ 192,966</u>	<u>\$ 57,245</u>	<u>\$ 154,062</u>	<u>\$ 590,804</u>
<b>Carrying amount</b>						
At January 1, 2010	<u>\$ 90,541</u>	<u>\$ 130,578</u>	<u>\$ 123,935</u>	<u>\$ 32,930</u>	<u>\$ 48,044</u>	<u>\$ 426,028</u>
At December 31, 2010	<u>\$ 88,226</u>	<u>\$ 78,521</u>	<u>\$ 108,144</u>	<u>\$ 20,738</u>	<u>\$ 26,102</u>	<u>\$ 321,731</u>
At June 30, 2011	<u>\$ 87,068</u>	<u>\$ 59,693</u>	<u>\$ 85,299</u>	<u>\$ 15,642</u>	<u>\$ 15,656</u>	<u>\$ 263,358</u>

Note 8 Long-term Debt

	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Agreements payable			
\$100,000 payable <sup>(a)</sup>	\$ 50,000	\$ 60,000	\$ 70,000
\$300,000 payable <sup>(b)</sup>	115,812	100,256	125,766
\$2,000,000 payable <sup>(c)</sup>	<u>1,043,903</u>	<u>1,041,389</u>	<u>754,045</u>
	1,209,715	1,201,645	949,811
Convertible debenture payable <sup>(d)</sup>	—	10,421,863	10,621,725
Loan facility payable <sup>(e)</sup>	—	14,671,053	6,900,322
Convertible promissory note payable <sup>(f)</sup>	<u>7,738,001</u>	<u>—</u>	<u>—</u>
	8,947,716	26,294,561	18,471,858
Less current portion	<u>390,000</u>	<u>25,482,916</u>	<u>290,000</u>
	<u>\$ 8,557,716</u>	<u>\$ 811,645</u>	<u>\$ 18,181,585</u>

Re-measurement of the derivative liability, associated with, and included within the debt obligations above, is as follows:

Note 8 Long-term Debt – (cont'd)

Derivative liabilities	Convertible debenture payable <sup>(d)</sup>	Loan facility payable <sup>(e)</sup>	Convertible promissory note payable <sup>(f)</sup>	Total
Opening balance, January 1, 2010	\$ 3,718,272	\$ 1,283,526	\$ –	\$ 5,001,798
Gain on re-measurement	<u>(2,919,607)</u>	<u>(1,201,226)</u>	<u>–</u>	<u>(4,120,833)</u>
Balance, June 30, 2010	798,665	82,300	–	880,965
Loss on re-measurement	<u>461,461</u>	<u>157,154</u>	<u>–</u>	<u>618,615</u>
Balance, December 31, 2010	1,260,126	239,454	–	1,499,580
Extinguishment of liability	(1,260,126)	(239,454)	–	(1,499,580)
Initial recognition of liability	–	–	1,216,298	1,216,298
Gain on re-measurement	<u>–</u>	<u>–</u>	<u>(110,724)</u>	<u>(110,724)</u>
Balance, June 30, 2011	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,105,574</u>	<u>\$ 1,105,574</u>

(a) Agreement payable of \$100,000, payable in annual instalments of \$10,000 of which \$50,000 (2010: \$40,000) has been paid. As of June 30, 2011, the balance owed is \$50,000. 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.

(b) Agreement payable of \$300,000, payable in annual instalments of \$30,000 of which \$90,000 (2010: \$60,000) has been paid. As of June 30, 2011, the balance owed is \$210,000. 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 at each reporting period is determined using a market interest rate applicable at that time. The difference between the fair value and the debt obligation is being accreted over the remaining life until maturity using amortized cost method.

During the three- and six-month periods ended June 30, 2011, \$5,021 and \$45,556, respectively, (three and six months ended June 30, 2010: \$1,083 and \$2,055, respectively; year ended December 31, 2010: \$4,490) of accretion has been charged to the statement of comprehensive income (loss) and credited to agreements payable.

(c) Agreement payable of \$2,000,000, payable in annual instalments of \$250,000 of which \$800,000 (2010: \$800,000) has been paid. During September 2010, instalment payments were renegotiated to the following terms: 2010: \$50,000; 2011 and 2012: \$350,000 and 2013 and 2014: \$250,000. As of June 30, 2011, the balance owed was \$1,200,000. 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 at each reporting period is determined using a market interest rate applicable at that time. The difference between the fair value and the debt obligation is being accreted over the remaining life until maturity using amortized cost method. During the three- and six-month periods ended June 30, 2011, \$23,531 and \$2,514, respectively, (three and six months ended June 30, 2010: \$15,869 and \$30,949, respectively; year ended December 31, 2010: \$337,344) of accretion expense has been charged to the statement of comprehensive income (loss) and credited to agreements payable.

(d) Convertible debenture of \$7,547,400 (CAD\$9,000,000) bore interest at the rate of 7% per annum, compounded annually, due February 11, 2012 which was secured by a floating charge over all of the Company's acquired property and assets. The Debenture could have been 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.

Note 8      Long-term Debt – (cont'd)

The principal amount of the Debenture, plus accrued and unpaid interest thereon, could be converted (1) by the Company in the event that the Company had 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 were 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 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 compound financial instruments, the convertible debenture had an embedded derivative as the conversion price was dominated in a currency other than the Company's functional currency. The initial fair value of the embedded derivative of \$3,718,272 was being accreted over the remaining life to the host contract, until maturity, using amortized cost method. For the six months ended June 30, 2011, \$1,128,304 (three and six months ended June 30, 2010: \$280,754 and \$555,654, respectively; year ended December 31, 2010: \$1,169,226) of accretion of has been charged to statement of comprehensive income (loss) and credited to convertible debt. There was no accretion charge the three months ended June 30, 2011 is due to the extinguishment of this obligation during March 2011 as part of the refinancing agreement discussed below.

The Company calculates the fair value of the embedded derivative each reporting period. Any resulting difference is charged to the statement of comprehensive income (loss) and credited (debited) to derivative liabilities. For the six months ended June 30, 2010, approximately \$2,900,000 change in fair value has been charged to statement of comprehensive income (loss) and debited to convertible debt. The embedded derivative in connection with this financial liability was de-recognized during March 2011 due to the extinguishment of the debt obligation as part of the refinancing agreement discussed below.

For the three and six months ended June 30, 2011, \$nil and \$139,847, respectively, (three and months ended June 30, 2010: \$163,368 and \$314,822, respectively; year ended December 31, 2010: \$688,480) of accrued interest of has been charged to statement of comprehensive income (loss) and credited to convertible debt.

<sup>(e)</sup> During October 2009, the Company entered into a loan facility (the "Loan Facility") for \$12,700,000 (CAD\$13,800,000). The Company utilized the net proceeds of the Loan Facility for working capital and to advance its mineral properties towards production.

The Loan Facility was divided into four equal tranches of CAD\$3,450,000 each. Only the principal amount of the second tranche would 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 had an embedded derivative as the conversion price was dominated in a currency other than the Company's functional currency. The initial fair value of the embedded derivative of \$1,283,526 was being accreted over the remaining life to the host contract, until maturity, using amortized cost method. For the six months ended June 30, 2011, \$329,446 (three and six months ended June 30, 2010: \$173,227 and \$335,113, respectively; year ended December 31, 2010: \$728,844) of accretion of has been charged to statement of comprehensive income (loss) and credited to convertible debt.

Note 8 Long-term Debt – (cont'd)

There was no accretion charge during the three months ended June 30, 2011 due to the extinguishment of this obligation during March 2011 as part of the refinancing agreement discussed below.

The Company calculates the fair value of the embedded derivative each reporting period. Any resulting difference is charged to the statement of comprehensive income (loss) and credited (debited) to derivative liability. For the six months ended June 30, 2010, approximately \$1,200,000 change in fair value has been charged to statement of comprehensive income (loss) and debited to loan facility. The embedded derivative was derecognized during March 2011 due to the extinguishment of the debt obligation as part of the refinancing agreement discussed below.

The maturity date for the funds drawn down under each tranche is 18 months from the actual drawdown date of such tranche. On each tranche maturity date, the Company will repay the applicable principal amount of the tranche amount borrowed, together with all accrued and unpaid interest thereon.

The first and second tranches bore interest at the rate of 7% per annum, and each of the third and fourth tranches bore 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. For the three and six months ended June 30, 2011, \$nil and \$236,066, respectively, (three and six months ended June 30, 2010: \$190,664 and \$307,967, respectively; year ended December 31, 2010: \$857,556) of accrued interest of has been charged to statement of comprehensive income (loss) and credited to loan facility.

(e) During March 2011, the Company issued unsecured non-interest bearing promissory note in the principal amount of \$7,701,750 (CAD\$7,500,000) (the "Note") to Synatom, which is repayable in cash or common shares at Powertech's election and is due on the earlier of: (i) six months after the last permit is obtained for the Company's Dewey-Burdock project; and (ii) two years from the closing or March 15, 2013. At the election of Powertech, the Note may also be prepaid in advance in cash at anytime, provided that such prepayment is for an amount not less than CAD\$250,000, or, after an initial period of 18 months, the Note may be repaid by the issuance of common shares to Synatom at a price per common share equal to the greater of CAD\$0.60 per common share or a 15% discount to the 20-day volume-weighted average price of the common shares on the TSX (or such other stock exchange on which the common shares may be listed at such time) at the time of payment.

The conversion price and the number of common shares issuable upon conversion of the promissory note 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.

In accordance with the accounting policy for compound financial instruments, the promissory note has an embedded derivative as the conversion price is dominated in a currency other than the Company's functional currency. The initial fair value of the embedded derivative of \$1,216,298 is being accreted over the remaining life to the host contract, until maturity, using amortized cost method. For the three and six months ended June 30, 2011, \$140,006 and \$164,579, respectively, of accretion of has been charged to statement of comprehensive income (loss) and credited to convertible debt.

The Company calculates the fair value of the embedded derivative each reporting period. Any resulting difference is charged to the statement of comprehensive income (loss) and credited (debited) to derivative liability. For the six months ended June, 2011, change in the fair value of the embedded derivative was approximately \$110,000. The total derivative liability at June 30, 2011 was \$1,105,574.

Note 8      Long-term Debt – (cont'd)

As of June 30, 2011, \$7,678,500 (CAD\$7,500,000) of principal was outstanding and payable

**Refinancing Transaction**

On March 15, 2011, the Company also closed the Refinancing Transaction which restructured Powertech's repayment obligations on approximately \$25,018,083 (CAD\$25,015,581) of debt owed to Synatom. In connection with the closing of the Refinancing Transaction (the "Closing"), the following events occurred:

- 1) Powertech paid \$12,836,250 (CAD\$12,500,000) to Synatom;
- 2) Powertech issued a Promissory Note as discussed in the table above;
- 3) Powertech, Powertech (USA) Inc. ("Powertech USA"), Indian Springs Land and Cattle Co., LLC ("Indian Springs") and Synatom entered into a termination, voting and lock-up agreement (the "Termination Agreement") pursuant to which all prior loans, agreements, rights and obligations among and between the parties (the "Prior Agreements") were terminated, including: (i) the CAD\$9 million convertible debenture of Powertech in favour of Synatom (plus accrued interest thereon); (ii) the CAD\$13.8 million loan facility between Powertech and Synatom (plus accrued interest thereon); and (iii) the rights and obligations under the prior private placement agreements among the parties (including, without limitation, the anti-dilution rights, pre-emptive rights, governance and other representation rights, registration rights, right to purchase uranium and non-compete agreements by management shareholders). Under the terms of the Termination Agreement, Synatom irrevocably and unconditionally released and discharged all security interests it had in and to or affecting any of the shares, undertaking, property and assets of Powertech, Powertech USA or Indian Springs, and all original share certificates, promissory notes, debentures and other collateral or property in the possession of Synatom were delivered to the Company; and
- 4) Powertech, Synatom, Wallace Mays, the Wallace Mays 2006 Family Trust No. 1, Richard F. Clement Jr., the Clement Family Limited Partnership, Thomas A. Doyle and Greg Burnett entered into a termination agreement whereby a shareholder's agreement dated June 2, 2008 among those parties was terminated.

Under the terms of the Termination Agreement, Synatom will retain its 10.89 million common shares but has agreed that it will not sell such common shares until the earlier of: (i) eighteen months from the Closing; (ii) the date upon which a Change of Control (as defined in the Termination Agreement) occurs; and (iii) the date upon which an Event of Default (as defined in the Termination Agreement) occurs (the "Lock-up Period") without the approval of Powertech. Synatom has also agreed to vote in favour of management's proposed slate of directors at any meeting of shareholders of Powertech held during the Lock-Up Period. As a result of the completion of the Offering and the Refinancing Transaction, Synatom holds 10.5% of the issued and outstanding Shares, on an undiluted basis, based on 103,301,362 Shares issued and outstanding. If Powertech elects to convert the principal of the Note into Shares, Synatom will hold 20.2% of the issued and outstanding common shares based on 115,801,362 common shares outstanding upon conversion of the Note.

Note 9 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:**

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, January 1, 2010	55,429,022	\$ 50,831,518	\$ 6,817,117
Stock-based compensation	<u>–</u>	<u>–</u>	<u>38,840</u>
Balance, December 31, 2010	55,429,022	\$ 50,831,518	\$ 6,855,957
Share issuance <sup>(a)</sup>	47,872,340	23,105,250	–
Share issue costs	–	(1,626,094)	–
Agent's warrants	–	(360,619)	360,619
Stock-based compensation	<u>–</u>	<u>–</u>	<u>8,100</u>
Balance, June 30, 2011	<u>103,301,362</u>	<u>\$ 71,950,055</u>	<u>\$ 7,224,676</u>

<sup>(a)</sup> On March 15, 2011, the Company completed a public offering of 47,872,340 units (the "Units") at a price of \$0.48 (CAD\$0.47) per Unit to raise gross proceeds of \$23,105,250 (CAD\$22,500,000) pursuant to a short form prospectus dated March 2, 2011 (the "Offering"). Each unit comprised of one common share and one-half share purchase warrant. On the same day, the Company closed its refinancing transaction (the "Refinancing Transaction") with Synatom, which was approved by Powertech's shareholders at a special meeting held on March 14, 2011. The closings of each of the Offering and the Refinancing Transaction were mutually conditional on the closing of the other. See Note 8 for discussion of the Refinancing Transaction.

**Share Purchase Warrants:**

At June 30, 2011, there were 27,047,872 whole share purchase warrants outstanding.

As part of the Offering discussed above, 23,936,170 whole share purchase warrants were issued. Each whole warrant (a "Warrant") will entitle the holder to purchase one common share at an exercise price of CAD\$0.60 for two years following the closing of the Offering, provided that, if at any time after the date that is six months and one day following the closing of the Offering, the daily volume-weighted average price of the common share on the TSX, or on any other stock exchange on which such common share may be principally traded at the time, is equal to or greater than CAD\$1.20 per common share for a period of 20 consecutive trading days, the Company may, within five days of such event, accelerate the expiry date of the Warrants by giving notice to the holders thereof. In such case, the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

A syndicate of agents led by Salman Partners Inc. and including Dundee Securities Ltd. (collectively, the "Agent") were engaged in respect of the Offering. The Agent received a commission equal to 6.5% of the gross proceeds of the Offering (approximately \$1,502,000). The commission was charged against share capital at the closing of the Offering. As additional consideration, the Agent was issued 3,111,702 agent's warrants (each an "Agent Warrant"). Each Agent Warrant entitles the holder to acquire one common share for a period of two years from the closing of the Offering at a price of CAD\$0.47 per common share. The agent warrants were fair valued using the Black Scholes option pricing model using the following inputs: 90.37% volatility, 3% interest risk free rate, 2 years and 0% dividend yield. A fair value of \$360,619 was charged to share capital as share issuance costs.

Note 9 Share Capital and Contributed Surplus – (cont'd)

**Share Purchase Warrants** – (cont'd)

Changes in share purchase warrants for the six months ended June 30, 2011 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2010	Issued during the period	Expired during the period	Outstanding at June 30, 2011
March 15, 2013	\$0.60	–	23,936,170	–	23,936,170
March 15, 2013	<u>\$0.47</u>	–	<u>3,111,702</u>	–	<u>3,111,702</u>
Totals		–	<u>27,047,872</u>	–	<u>27,047,872</u>

At January 1, 2010, there were 6,000,000 share purchase warrants outstanding. These share purchase warrants entitled the holders thereof to purchase one common share for each warrant. Changes in share purchase warrants from January 1, 2010 to December 31, 2010 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at January 1, 2010	Issued during the period	Expired during the period	Outstanding at December 31, 2010
June 4, 2010	<u>\$2.00</u>	<u>6,000,000</u>	–	<u>(6,000,000)</u>	–
Totals		<u>6,000,000</u>	–	<u>(6,000,000)</u>	–

**Convertible promissory Note:**

During March 2011, the Company issued an unsecured non-interest bearing promissory note in the principal amount of \$7,701,750 (CAD\$7,500,000) (the “Note”) to Synatom, which is repayable in cash or common shares at Powertech's election and is due on the earlier of: (i) six months after the last permit is obtained for the Company's Dewey-Burdock project; and (ii) two years from the closing or March 15, 2013. At the election of Powertech, the Note may also be prepaid in advance in cash at anytime, provided that such prepayment is for an amount not less than CAD\$250,000, or, after an initial period of 18 months, the Note may be repaid by the issuance of common shares to Synatom at a price per common share equal to the greater of CAD\$0.60 per common share or a 15% discount to the 20-day volume-weighted average price of the common shares on the TSX (or such other stock exchange on which the common shares may be listed at such time) at the time of payment. Assuming full conversion of the Note at CAD\$0.60, Synatom will acquire 12,500,000 common shares of the Company.

**Convertible Debenture:**

As of December 31, 2010, the Company had a 7% secured convertible debenture in the principal amount of CAD\$9,000,000 outstanding, that was issued to Synatom pursuant to a private placement in February 2009. The principal of the debenture and accrued interest thereon was convertible into common shares of the Company at a conversion price of CAD\$0.50 per common share. Assuming full conversion of the debenture, Synatom would have acquired 18,000,000 common shares upon conversion of the CAD\$9,000,000 principal, and 2,450,204 common shares upon conversion of the possible CAD\$1,225,102 accrued interest thereon, for a total of 20,450,204 common shares of the Company. The debenture was settled as part of the refinancing transaction discussed in Note 8.

Note 9 Share Capital and Contributed Surplus – (cont'd)

**Loan Facility:**

As of December 31, 2010, the Company had drawn down CAD\$13,800,000 of the principal amount of the Loan Facility. The principal amount of the second tranche, being CAD\$3,450,000, was 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, Synatom would have acquired 6,900,000 common shares of the Company. The Loan Facility was settled as part of the refinancing transaction discussed in Note 8.

**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.

During May 2011, the Company’s shareholders approved a 2011 Stock Option Plan (the “2011 Plan”), effective April 2011, under which it is authorized to grant share purchase options to directors, employees, contractors or consultants of the Company. The Company is permitted to grant options under the Plan equal to 10% of the issued and outstanding common shares of the Company until the 10th anniversary of the effective date of the 2011 Plan. 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 such options are granted. The Company’s Board of Directors specifies a vesting period and expiry on a grant-by-grant basis.

At June 30, 2011, there are 4,475,000 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, 2010	Granted during period	Exercised during period	Expired during period	Outstanding at June 30, 2011
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		<u>7,500,000</u>	<u>–</u>	<u>–</u>	<u>(3,025,000)</u>	<u>4,475,000</u>

As of June 30, 2011, 4,435,000 options have vested and are exercisable. The weighted average life of the stock options outstanding is 1.43 years. The weighted average exercise price of the stock options outstanding is CAD\$1.64.

Note 9 Share Capital and Contributed Surplus – (cont'd)

**Stock-based Compensation:**

During the three and six months ended June 30, 2011 stock-based compensation was \$nil and \$8,100, respectively (three and six months ended June 30, 2010: \$1,782 and \$20,729, respectively) all of which was included in mineral property costs under wages/consulting. Stock-based compensation was \$38,840 for the year ended December 31, 2010, all of which was included in mineral property costs under wages/consulting.

Note 10 Related Party Transactions

In addition to the financing arrangements with Synatom, as discussed in Notes 8 and 11, the Company entered into the following transactions with directors and officers of the Company or with companies with directors and officers in common:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Director fees	\$ 15,372	\$ 8,762	\$ 26,018	\$ 17,407
Management and consulting fees	<u>106,654</u>	<u>145,831</u>	<u>257,700</u>	<u>290,645</u>
	<u>\$ 122,026</u>	<u>\$ 154,593</u>	<u>\$ 283,718</u>	<u>\$ 308,052</u>

As of June 30, 2011, the Company had not prepaid any management and consulting fees. As of June 30, 2010, the Company had prepaid \$45,800 of management and consulting fees related to July 2010 services. As of December 31, 2010, the Company had prepaid \$46,500 of management and consulting fees related to January 2011 services.

At June 30, 2011, December 31, 2010 and January 1, 2010, the amount of prepaid expenses capitalized to resource properties was \$nil, \$10,000 and \$10,000, respectively.

At June 30, 2011, December 31, 2010 and January 1, 2010, the Company advanced \$nil, \$nil and \$40,000 respectively for travel of one of the directors of the Company.

As of June 30, 2011, December 31, 2010 and January 1, 2010, the Company had an accrued liability of \$10,678, \$4,500 and \$1,500 respectively to its directors for services rendered but not yet paid.

Note 11 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 June 30, 2011 and 2010:

- (a) Included in mineral properties cost is stock-based compensation valued at \$nil (2010: \$1,782) relating to employees who are directly involved with the mineral properties.
- (b) Included in accounts payable and accrued liabilities is approximately \$295,000 (2010: \$524,000) relating to mineral properties.

Note 11 Non-cash Transactions

For the six months ended June 30, 2011 and 2010:

- (a) Included in mineral properties cost is stock-based compensation valued at \$8,100 (2010: \$20,729) relating to employees who are directly involved with the mineral properties.
- (b) Included in accounts payable and accrued liabilities is approximately \$295,000 (2010: \$524,000) relating to mineral properties.

Other non-cash transactions:

- (a) Gain on extinguishment of debt of \$5,431,452, for the six months ended June 30, 2011, as the Company restructured its repayment obligations on approximately \$25,018,083 (CAD\$25,015,581) of debt owed to Synatom through issuance of a Promissory note, to Synatom, in the amount of \$7,712,250 (CAD\$7,500,000) and a cash payment of \$12,836,250 (CAD\$12,500,000) to Synatom. See Notes 8 and 11 for a complete discussion of this transaction.
- (b) Gain on re-measurement of derivative liability was \$105,168 and \$1,639,486 for the three and six months ended June 30, 2011, respectively, (\$1,616,628 and \$4,530,456 for the three and six months ended June 30, 2010). Changes in the fair value of the derivative liability are charges to the statements of comprehensive income (loss). See Notes 4, 5 and 8 for further discussion.

Note 12 Earnings per share

Basic income per common share is computed by dividing income available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted income per common share is computed similarly to basic income per common share except that weighted average common shares is increased to include the potential issuance of dilutive common shares.

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b><u>2011</u></b>		<b><u>2010</u></b>	
Net income (loss) for the period	\$ (3,135,321)	\$ 467,347	\$ 268,471	\$ 1,017,056
Weighted average common shares				
Basic	103,301,362	55,429,022	83,729,245	55,429,022
Effect of employee stock-based compensation	4,435,000	7,419,375	4,435,000	7,419,375
Effect of convertible debt	12,500,000	27,350,204	12,500,000	27,350,204
Effect of warrants outstanding	<u>27,047,872</u>	<u>—</u>	<u>27,047,872</u>	<u>—</u>
Diluted	147,284,234	90,198,601	127,712,117	90,198,601
Net income (loss) per common share				
Basic	\$ (0.03)	\$ 0.01	\$ 0.00	\$ 0.02
Diluted	\$ (0.03)	\$ 0.00	\$ 0.00	\$ 0.01

Note 13 Income Taxes

During March 2011, the Company entered into a taxable debt settlement arrangement for which the Company is planning to offset with loss carryforwards. For a complete discussion of the debt settlement see Note 8.

Note 14     Write-downs

During June 2011, the Company chose not to exercise certain option payments related to its Centennial Project. As a result, the Company wrote-off all historical charges associated with the option agreements in the amount of approximately \$2,300,000.

During 2010, the Company chose not to continue its annual claims maintenance fees for certain claims as those claims are not deemed valuable at this time to the Company's projects. As a result, the Company wrote-off all historical charges associated with these claims. The Company has also taken impairment charges related to its prospects that it has chosen to abandon as of December 31, 2010. Total impairment charges as of December 31, 2010 are approximately \$403,000.

See Note 6 for further discussion of these write-downs.