POWERTECH URANIUM CORP.
(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2012

(Stated in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements for Powertech Uranium Corp have been prepared by management in accordance with International Financial Reporting Standards. These interim condensed consolidated 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 condensed consolidated 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)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
June 30, 2012 and December 31, 2011
(Stated in United States Dollars)

	June 30, 2012	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents	$ 1,909,097	$ 4,057,505
Receivable	40,994	13,752
Deposits	21,064	23,047
Prepaid expenses	41,064	87,403
	2,012,219	4,181,707
Non-current		
Restricted cash	259,031	259,031
Mineral properties –Schedule 1	47,597,615	45,662,797
Building and equipment – Note 4	147,257	207,534
Total assets	$ 50,016,122	$ 50,311,069
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 7	$ 551,453	$ 292,428
Current portion of long-term debt – Note 5	1,715,543	45,000
	2,266,996	337,428
Non-current		
Long-term debt		
Agreements payable – Note 5	1,023,655	1,012,796
Convertible promissory note payable – Notes 5 and 6	–	1,499,035
	3,290,651	2,849,259
Future income taxes – Note 10	565,464	641,182
	3,856,115	3,490,441
SHAREHOLDERS' EQUITY		
Share capital – Note 6	71,950,055	71,950,055
Contributed surplus – Note 6	7,642,929	7,224,676
Deficit	(33,432,977)	(32,354,103)
	46,160,007	46,820,628
Total liabilities and shareholder's equity	$ 50,016,122	$ 50,311,069

APPROVED BY THE DIRECTORS:

"Richard F. Clement, Jr." Director
Richard F. Clement, Jr.

"Thomas Doyle" Director
Thomas Doyle

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(UNAUDITED)
for the three and six months ended June 30, 2012 and 2011
(Stated in United States Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
General and administrative expenses				
Amortization and depreciation	$ 13,511	$ 29,186	$ 31,805	$ 58,373
Audit and accounting fees	–	16,893	22,442	64,846
Community and media relations	549	9,900	4,268	21,622
Director fees – Note 7	16,299	15,372	34,254	26,018
Filing fees	473	333	23,149	120,225
Foreign exchange (gain)/loss	(47,574)	18,580	(68,942)	436,959
Insurance	23,214	22,210	47,198	45,443
Investor relations and promotion	15,680	13,530	28,156	55,511
Legal fees	22,559	66,564	45,182	118,827
Management and consulting fees – Note 7	95,196	125,010	191,018	280,402
Office and miscellaneous	80,272	107,758	178,924	230,720
Transfer agent fees	4,326	9,485	9,760	19,455
Travel and accommodation	33,098	75,392	57,777	196,791
Wages and benefits – Note 7	396,406	279,552	555,478	570,633
Loss from operations	(654,009)	(789,765)	(1,160,469)	(2,245,825)
Finance income (costs)				
Interest income	893	4,248	43,183	6,307
Interest expense on long-term debt	–	–	–	(375,913)
Accretion – Note 5	(25,755)	(28,553)	(50,860)	(1,505,821)
Gain (loss) on re-measurement of liability – Note 5	583,486	753,376	(205,298)	2,209,535
Gain on extinguishment of debt – Note 5	–	–	–	9,840,451
Gain on sale of equipment – Note 4	–	–	214,527	–
Other Costs				
Impairment charges – Note 11	–	(2,303,441)	–	(2,303,441)
	558,624	(1,574,370)	1,552	7,871,118
Net income/ (loss) before income taxes	(95,385)	(2,364,135)	(1,158,917)	5,625,293
Future income tax benefit/ (expense) – Note 10	(147,774)	(277,383)	80,043	(712,319)
Net income/ (loss) and comprehensive income/ (loss) for the period	$ (243,159)	$ (2,641,518)	$ (1,078,874)	$ 4,912,974
Basic income/ (loss) per common share – Note 9	$ (0.00)	$ (0.03)	$ (0.01)	$ 0.06
Diluted income/ (loss) per common share – Note 9	$ (0.00)	$ (0.03)	$ (0.01)	$ 0.04
Basic weighted average number of shares outstanding – Note 9	103,301,362	103,301,362	103,301,362	83,729,245
Diluted weighted average number of shares outstanding – Note 9	103,301,362	103,301,362	103,301,362	127,712,117

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended June 30, 2012 and the year ended December 31, 2011
(Stated in United States Dollars)

	Number of Common Shares	**Share capital**	**Contributed Surplus**	**Deficit**	**Total**
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957	$ (36,758,069)	$ 20,929,406
Share issuance (Note 6)	47,872,340	23,105,250	-	-	23,105,250
Share issue costs (Note 6)	-	(1,626,094)	-	-	(1,626,094)
Fair value of agent warrants	-	(360,619)	360,619	-	-
Stock-based compensation (Note 6)	-	-	8,100	-	8,100
Total comprehensive income for year	-	-	-	4,912,974	4,912,974
Balance, June 30, 2011	103,301,362	$ 71,950,055	$ 7,224,676	$ (31,845,095)	$ 47,329,636
Total comprehensive income for year	-	-	-	(509,008)	(509,008)
Balance, December 31, 2011	103,301,362	$ 71,950,055	$ 7,224,676	$ (32,354,103)	$ 46,820,628
Stock-based compensation (Note 6)	-	-	418,253	-	418,253
Total comprehensive loss for the period	-	-	-	(1,078,874)	(1,078,874)
Balance, June 30, 2012	103,301,362	$ 71,950,055	$ 7,642,929	$ (33,432,977)	$ 46,160,007

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
for the six months ended June 30, 2012 and 2011
(Stated in United States Dollars)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Operating Activities		
Net income (loss) for the period	$ (1,078,874)	$ 4,912,974
Items not affecting cash:		
Accretion	50,860	1,505,821
Depreciation and amortization	31,805	58,373
Stock based compensation	249,146	–
Future income tax (benefit)/ expense	(80,043)	712,319
Gain on sale of equipment	(214,527)	–
Impairment	–	2,303,441
(Gain) loss on re-measurement of derivative liability	205,298	(2,209,535)
Gain on extinguishment of debt	–	(9,840,451)
Interest accrual	–	375,913
Unrealized foreign exchange loss (gain)	(645,948)	336,474
	(1,482,283)	(1,844,671)
Net change in non-cash working capital balances:		
Receivables	(27,826)	(15,738)
Deposits	1,958	–
Prepaid expenses	46,418	113,562
Accounts payable and accrued liabilities	672,518	459,813
Cash outflows from operations	(789,215)	(1,287,034)
Investing Activities		
Mineral property interests	(1,580,114)	(2,092,053)
Proceeds from sale of equipment	243,000	–
Cash outflows from investing activities	(1,337,114)	(2,092,053)
Financing Activities		
Long-term debt issuances	–	2,634,497
Long-term debt repayment	(40,000)	(15,542,494)
Issuance of common shares	–	23,105,250
Costs of issuance of common shares	–	(1,626,094)
Cash inflows (outflows) from financing activities	(40,000)	8,571,159
Foreign exchange effect on cash	17,921	35,883
Increase (decrease) in cash during the period	(2,148,408)	5,227,955
Cash and cash equivalents, beginning of the period	4,057,505	1,857,358
Cash and cash equivalents, end of the period	$ 1,909,097	$ 7,085,313
Cash and cash equivalents consists of:		
Cash	$ 13,836	$ 182,242
Term deposits	1,895,261	6,903,071
	$ 1,909,097	$ 7,085,313

Non-cash Transactions – Note 8

SEE ACCOMPANYING NOTES

Schedule 1

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES (UNAUDITED)
for the six months ended June 30, 2012 and year ended December 31, 2011
(Stated in United States Dollars)

	South Dakota	Wyoming	Colorado	Total
Balance, December 31, 2010	$24,440,434	$3,274,191	$17,170,151	$ 44,884,776
Land services	21,000	21,000	21,000	63,000
Legal fees	239,271	–	(2,332)	236,939
Claims fees	54,960	161,401	–	216,361
Land/lease payments	141,889	76,947	37,116	255,952
Drilling/ Engineering	21,380	–	(1,043)	20,337
Permitting	1,285,087	–	–	1,285,087
Exploration	–	5,000	–	5,000
Impairment – Note 11	(57,600)	(138,125)	(2,303,441)	(2,499,166)
Wages/Consulting – Note 7	911,386	60,750	222,375	1,194,511
Balance, December 31, 2011	$ 27,057,807	$3,461,164	$15,143,826	$ 45,662,797
Land services	7,400	7,400	7,700	22,500
Legal fees	44,008	464	–	44,472
Land/lease payments	49,776	11,465	5,200	66,441
Drilling/ Engineering	60,700	–	1,700	62,400
Permitting	1,185,375	–	–	1,185,375
Wages/Consulting – Note 7	494,495	59,135	–	553,630
Balance, June 30, 2012	$ 28,899,561	$3,539,628	$15,158,426	$ 47,597,615

Note 1 Nature of Operations

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 located in South Dakota, Wyoming, and Colorado, USA. The address of the Company's corporate office and principle place of business is Suite 3023, 595 Burrard Street, Vancouver, BC, Canada.

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.

These interim 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 interim condensed 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 June 30, 2012, the Company had not yet achieved profitable operations, had a deficit of $33,432,977 and negative working capital of $245,777. The Company's focus is furthering its permitting applications at its Dewey-Burdock project. 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 interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed consolidated financial statements should be read in conjunction with the Company's 2011 annual financial statements. There have been no changes to accounting policies during the three and six months ended June 30, 2012.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 30, 2012.

Note 3 Basis of Measurement

The interim condensed consolidated 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 interim condensed consolidated 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.

Note 4 Building and Equipment

	Building	Computer equipment	Field equipment	Office equipment	Vehicles	Total
Cost						
Balance, December 31, 2011	$ 92,628	$ 233,034	$ 278,105	$ 70,980	$ 169,718	$ 844,465
Assets sold	–	–	(150,182)	–	(139,213)	(289,395)
Balance, June 30, 2012	$ 92,628	$ 233,034	$ 127,923	$ 70,980	$ 30,505	$ 555,070
Depreciation						
Balance, December 31, 2011	$ 6,717	$ 192,314	$ 215,690	$ 60,237	$ 161,973	$ 636,931
Assets sold	–	–	(127,920)	–	(133,003)	(260,923)
For the period	1,158	13,512	11,578	4,022	1,535	31,805
Balance, June 30, 2012	$ 7,875	$ 205,826	$ 99,348	$ 64,259	$ 30,505	$ 407,813
Carrying amount						
At December 31, 2011	$ 85,911	$ 40,720	$ 62,415	$ 10,743	$ 7,745	$ 207,534
At June 30, 2012	$ 84,753	$ 27,208	$ 28,575	$ 6,721	$ –	$ 147,257

During the three months ended March 31, 2012, the Company sold its logging truck and related equipment for proceeds of $243,000 which resulted in a gain on the sale of equipment of $214,527.

Note 5 Long-term Debt

		June 30, 2012		December 31, 2011
Agreements payable				
$100,000 payable [a]	$	40,000	$	50,000
$300,000 payable [b]		105,788		126,175
$2,000,000 payable [c]		922,867		881,621
		1,068,655		1,057,796
Convertible promissory note payable [d]		1,670,543		1,499,035
		2,739,198		2,556,831
Less current portion		1,715,543		45,000
	$	1,023,655	$	2,511,813

Re-measurement of the derivative liability, associated with, and included within the convertible promissory note payable above, is as follows (rounded to 000,000's):

Balance, December 31, 2011	$	1,500,000
Loss on re-measurement		200,000
Balance, June 30, 2012	$	1,700,000

[a] Agreement payable of $100,000, payable in annual instalments of $10,000 of which $60,000 (2011: $50,000) has been paid to date. As of June 30, 2012, the balance owed is $40,000. Of this amount, $10,000 is due within the next 12 months. 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 $120,000 (2011: $90,000) has been paid to date. As of June 30, 2012, the balance owed is $180,000. Of this amount, $30,000 is due within the next 12 months. 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 initial fair value was 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 months ended June 30, 2012, $4,895 and $9,614, respectively, (three and six months ended June 30, 2011: $5,021 and $45,556, respectively) of accretion has been charged to the statement of comprehensive loss and credited to agreements payable.

(c) Agreement payable of $2,000,000, payable in annual instalments ranging from $5,000 to $395,000 of which $805,000 (2011: $805,000) has been paid to date. 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. During September 2011, instalment payments were renegotiated again to the following terms: 2011 through 2013: $5,000 and 2014 through 2016: $395,000. As of June 30, 2012, the balance owing was $1,195,000. Of this amount, $5,000 is due within the next 12 months. In accordance with the accounting for restructured debt, the September 2011 renegotiation of the instalment payments was considered an extinguishment of the original loan and issuance of a new loan. As a result of this extinguishment a market discount rate of 9.25% was used to fair value the present value of the future cash flows under the new loan. The fair value of the new loan compared to the fair value of the original loan amount outstanding resulted in gain on extinguishment of debt of $240,454.

Note 5 Long-term Debt – (cont'd)

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 initial fair value was determined using a market interest rate applicable at that time. The difference between the period balance of $922,867 at June 30, 2012 and the debt obligation of approximately $1,195,000 is being accreted over the remaining life until maturity using amortized cost method.

During the three and six months ended June 30, 2012, $20,859 and $41,246, respectively, (three and six months ended June 30, 2011: $23,531 and $2,514, respectively) of accretion expense has been charged to the statement of comprehensive loss and credited to agreements payable.

(d) 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 Société Belge des Combustibles Nucléaires Synatom SA ("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.

The Company has designated the convertible promissory notes as a financial liability. The initial fair value of the convertible promissory note of $3,097,590 was determined by fair valuing the instrument and the put option using assumptions and inputs in a valuation model. The difference between the face value of the instruments $7,700,000 (CAD$7,500,000) and the initial fair value was recorded to the gain on extinguishment in the statement of comprehensive income/ (loss) because it related to the debt restructuring.

The Company re-measures the fair value of the promissory note each reporting period. Any resulting difference is recorded to the statement of comprehensive income/ (loss). For the three months ended June 30, 2012 and 2011, the gain/ (loss) on the fair value of the promissory note liability was approximately 583,000 and $753,000, respectively. For the six months ended June 30, 2012 and 2011, the gain/ (loss) on the fair value of the promissory note liability was approximately $(205,000) and $2,209,000, respectively. Since the conversion feature is at the discretion of the Company, there is minimal impact in the liabilities credit risk.

The fair value of the promissory note was determined to be $1,670,543 and $1,499,035 as at June 30, 2012 and December 31, 2011, respectively.

Note 5 Long-term Debt – (cont'd)

The inputs used in a put option valuation model to fair value the financial liability are:

	Convertible Promissory Note		
	At Inception	December 31, 2011	June 30, 2012
Conversion price	$ 0.60	$ 0.60	$ 0.60
Share price	$ 0.30	$ 0.09	$ 0.125
Term	2 years	1.25 years	0.75 year
Volatility	90.37	90.37	90.37
Risk free rate	3%	3%	3%
Dividend yield	nil	nil	nil

As of June 30, 2012, the face value of the convertible promissory note was $7,316,250 (CAD$7,500,000).

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 Company paid $12,836,250 (CAD$12,500,000) to Synatom and issued the convertible promissory note payable.

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.

Due to the extinguishment of the debt obligations, as part of the refinancing transaction, the embedded derivatives connected to the retired financial liabilities was de-recognized in March 2011 which resulted in a gain on re-measurement of liability of approximately $1,400,000 in the statement of comprehensive income/ (loss). In addition, the debt obligations were fully accreted to the principal amount, which resulted in a charge of approximately $1,400,000 in the statement of comprehensive income/ (loss).

Note 6 Share Capital and Contributed Surplus

Authorized:

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

Note 6 Share Capital and Contributed Surplus – (cont'd)

Common Shares Issued:

	Number	Amount	Contributed Surplus[b]
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957
Share issuance [a]	47,872,340	23,105,250	–
Share issue costs	–	(1,626,094)	–
Agent's warrants	–	(360,619)	360,619
Stock-based compensation	–	–	8,100
Balance, December 31, 2011	103,301,362	71,950,055	7,224,676
Stock-based compensation	–	–	418,253
Balance, June 30, 2012	103,301,362	$ 71,950,055	$ 7,642,929

[a] 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 5 for discussion of the Refinancing Transaction.

[b] Contributed surplus is comprised of the fair value of stock-based compensation and the fair value of agent's warrants.

Share Purchase Warrants:

At June 30, 2012, 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.

Also included in share issue costs was approximately $124,100 relating to legal and other fees directly related to the issuance of the shares.

Note 6 Share Capital and Contributed Surplus – (cont'd)

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

Changes in share purchase warrants for the six months ended June 30, 2012 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2011	Issued during the period	Expired during the period	Outstanding at June 30, 2012
March 15, 2013	$0.60	23,936,170	–	–	23,936,170
March 15, 2013	$0.47	3,111,702	–	–	3,111,702
Totals		27,047,872	–	–	27,047,872

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) 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.

Stock Option Plan:

Under its 2011 Stock Option Plan (the "2011 Plan"), the Company 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, 2012, there were 7,575,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Share options outstanding were as follows:

Note 6 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan – (cont'd)

Grant Date	Expiration Date	Exercise (CAD)	Outstanding at December 31, 2011	Granted during period	Expired/ Forfeited during period	Outstanding at June 30, 2012	Vested and exercisable
February 15, 2007	February 15, 2012	$3.00	400,000	–	(400,000)	–	–
May 14, 2007	May 14, 2012	$3.20	125,000	–	(125,000)	–	–
August 30, 2007	August 30, 2012	$1.50	900,000	–	(275,000)	625,000	625,000
September 4, 2007	September 4, 2012	$1.60	100,000	–	–	100,000	100,000
January 14, 2008	January 14, 2013	$1.50	200,000	–	–	200,000	200,000
February 7, 2008	February 7, 2013	$1.00	400,000	–	–	400,000	400,000
June 18, 2008	June 18, 2013	$1.50	1,600,000	–	(400,000)	1,200,000	1,200,000
May 15, 2012	May 15, 2017	$0.20	–	5,050,000	–	5,050,000	5,050,000
	Totals		3,725,000	5,050,000	(800,000)	7,575,000	7,575,000
Weighted average exercise price (CAD)			$1.72			$0.61	$0.61
Weighted average life remaining (years)			1.00			3.47	3.47

Stock-based Compensation:

During the three and six months ended June 30, 2012 stock-based compensation was $418,253 (three and six months ended June 30, 2011: $nil and $8,100, respectively) $169,107 (2011: all) was included in mineral property costs under wages/consulting.

Note 7 Related Party Transactions

Key management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprise of:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Director fees and other compensation	$ 90,839	$ 15,372	$ 108,794	$ 26,018
Management compensation and short-term benefits	546,914	313,569	828,898	671,528
	$ 637,753	$ 328,941	$ 937,692	$ 697,546

As of June 30, 2012 and 2011, the Company had not prepaid any management and consulting fees.

As of June 30, 2012 and December 31, 2011, the Company had an accrued liability of $8,500 and $8,600 respectively to its directors for services rendered but not yet paid.

As of June 30, 2012, under the Company's deferred compensation arrangement with certain officers, the Company has a recorded liability of approximately $136,000 in accrued liabilities (December 31, 2011:$25,000) which has been included in management compensation and short-term benefits.

Note 7 Related Party Transactions – (cont'd)

For the three and six months ended June 30, 2012, the Company recorded stock based compensation of $347,852 (2011: $nil) to certain related parties which has been reflected in the table above.

No loans were made to Directors or any other key management personnel, including personally related entities during the reporting year.

The Synatom transactions discussed in Notes 5 and 6 were considered related party transactions as they are considered to be significant shareholders.

Note 8 Non-cash Transactions

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

For the six months ended June 30, 2012 and 2011:

(a) Included in mineral properties cost is stock-based compensation valued at $169,107 (June 30, 2011: $8,100) relating to employees who were directly involved with the mineral properties.

(b) Included in accounts payable and accrued liabilities is approximately $413,000 (June 30, 2011: $295,000) relating to mineral properties.

Note 9 Earnings/ (loss) per share

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income/ (loss) for the period	$ (243,159)	$ (2,641,518)	$ (1,078,874)	$ 4,912,974
Weighted average common shares				
Basic	103,301,362	103,301,362	103,301,362	83,729,245
Effect of employee stock-based compensation	–	–	–	4,435,000
Effect of convertible debt	–	–	–	12,500,000
Effect of warrants outstanding	–	–	–	27,047,872
Diluted	103,301,362	103,301,362	103,301,362	127,712,117
Net income/ (loss) per common share				
Basic	$ (0.00)	$ (0.03)	$ (0.01)	$ 0.06
Diluted	$ (0.00)	$ (0.03)	$ (0.01)	$ 0.04

Note 10 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. As the Company has the option to settle the convertible promissory note through the issuance of shares rather than paying cash, this creates a significant possible gain on the extinguishment of debt for the Company. As a result of this possible gain, the Company has recorded the potential tax impact on that transaction. For a complete discussion of the debt settlement see Note 6.

Note 11 Impairment

During 2011, the Company chose not to exercise certain option payments related to its Centennial Project, 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 and not to renew certain lease obligations that 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 items in the amount of approximately $2,500,000. There were no such charges for the three and six months ended June 30, 2012.