POWERTECH URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

(Expressed in United States Dollars)

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the shareholders of
Powertech Uranium Corp.

We have audited the accompanying consolidated financial statements of Powertech Uranium Corp. which comprises the consolidated statement of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2012 and 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Powertech Uranium Corp. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1- Nature of Operations and Going Concern in the consolidated financial statements which indicates that the entity has a deficit of $31,712,720 as at December 31, 2012 and, is expected to incur losses in the foreseeable future. These conditions, along with other matters as set forth in Note 1- Nature of Operation and Going Concern, indicate the existence of a material uncertainty that may cast doubt about the entity's ability to continue as a going concern.

(signed) BDO CANADA LLP

Chartered Accountants

Vancouver, Canada
February 28, 2013

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012
(Expressed in United States Dollars)

	December 31, 2012	December 31, 2011 (Restated – Note 17)
ASSETS		
Current		
Cash and cash equivalents	$ 649,828	$ 4,057,505
Receivables	53,230	13,752
Deposits	21,204	23,047
Prepaid expenses	17,794	87,403
	742,056	4,181,707
Non-current		
Restricted cash	208,030	259,031
Mineral properties –Notes 5, 11 and Schedule 1	48,969,318	45,662,797
Building and equipment – Note 6	122,471	207,534
Total assets	$ 50,041,875	$ 50,311,069
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 9	$ 654,358	$ 292,428
Warrant liability – Note 8	49,397	–
Current portion of agreements payable – Note 7	45,000	45,000
	748,755	337,428
Non-current		
Agreements payable – Note 7	1,070,926	1,012,796
Convertible promissory note payable – Notes 7 and 8	–	1,499,035
Deferred tax liability – Note 7	–	641,182
Total liabilities	1,819,681	3,490,441
SHAREHOLDERS' EQUITY		
Share capital – Note 8	72,291,985	69,685,693
Contributed surplus – Note 8	7,642,929	7,224,676
Deficit	(31,712,720)	(30,089,741)
	48,222,194	46,820,628
Total liabilities and shareholders' equity	$ 50,041,875	$ 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)
CONSOLIDATED STATEMENT COMPREHENSIVE INCOME/(LOSS)
for the year ended December 31, 2012
(Expressed in United States Dollars)

	2012	**2011** (Restated – Note 17)
General and administrative expenses		
Audit and accounting fees	$ 91,432	$ 158,609
Community and media relations	7,302	22,605
Depreciation	56,591	113,076
Director fees – Note 9	61,429	61,992
Filing fees	32,104	120,781
Foreign exchange (gain)/ loss	(17,041)	457,680
Insurance	101,204	91,245
Investor relations and promotion	41,707	69,487
Legal fees	70,986	139,728
Management and consulting fees – Note 9	388,108	494,531
Office	355,371	422,521
Transfer agent fees	13,662	22,349
Travel and accommodation	103,489	275,241
Wages and benefits	836,945	1,090,174
Loss before other and income tax provision	(2,143,289)	(3,540,019)
Interest income	51,991	20,757
Interest expense on long-term debt – Note 7	–	(375,913)
Effective interest expense – Note 7	(103,130)	(1,610,196)
Gain on re-measurement of financial and derivative liability – Note 7	–	2,966,402
Gain on extinguishment of debt – Note 7	169,354	10,080,905
Gain on re-measurement of warrant liability - Note 8	–	2,264,362
Gain on sale of equipment – Note 6	214,527	–
Loss on sale of property – Note 5	(117,635)	–
Impairment charges – Note 5	(64,745)	(2,499,166)
	150,362	10,847,151
Net income/(loss) before income taxes	(1,992,927)	7,307,132
Deferred tax recovery/(expense) - Note 12	369,948	(638,804)
Net income/(loss) and comprehensive income/(loss) for the year	$ (1,622,979)	$ 6,668,328
Basic earnings/(loss) per common share – Note 13	$ (0.01)	$ 0.07
Diluted earnings/(loss) per common share – Note 13	$ (0.01)	$ 0.06
Basic weighted average number of shares outstanding – Note 13	106,682,510	93,595,737
Diluted weighted average number of shares outstanding – Note 13	106,682,510	106,095,737

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended December 31, 2012
(Expressed in United States Dollars)

	Number of Common Shares	Share Capital (Restated – Note 17)	Contributed Surplus	Deficit (Restated – Note 17)	Total
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957	$ (36,758,069)	$ 20,929,406
Share issuance (Note 8)	47,872,340	20,840,888	-	-	20,840,888
Share issue costs (Note 8)	-	(1,626,094)	-	-	(1,626,094)
Fair value of agent warrants	-	(360,619)	360,619	-	-
Stock-based compensation (Note 8)	-	-	8,100	-	8,100
Total comprehensive income for year	-	-	-	6,668,328	6,668,328
Balance, December 31, 2011	103,301,362	$ 69,685,693	$ 7,224,676	$ (30,089,741)	$ 46,820,628
Share issuance (Note 8)	22,500,000	2,335,058	-	-	2,335,058
Deferred tax recovery (Note 12)	-	271,234	-	-	271,234
Stock-based compensation (Note 8)	-	-	418,253	-	418,253
Total comprehensive loss for year	-	-	-	(1,622,979)	(1,622,979)
Balance, December 31, 2012	125,801,362	$ 72,291,985	$ 7,642,929	$ (31,712,720)	$ 48,222,194

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended December 31, 2012
(Expressed in United States Dollars)

	2012	2011 (Restated – Note 17)
Cash flows from operating activities		
Net income/(loss) for the year	$ (1,622,979)	$ 6,668,328
Adjustments to reconcile loss to net cash used in operating activities:		
Effective interest expense	103,130	1,610,196
Depreciation	56,591	113,076
Deferred income tax expense (recovery)	(369,948)	638,804
Gain on sale of equipment	(214,527)	–
Loss on sale of property	117,635	–
Impairment charges	64,745	2,499,166
Stock-based compensation	249,146	–
Gain on re-measurement of financial and derivative liability	–	(5,230,764)
Gain on extinguishment of debt	(169,354)	(10,080,905)
Interest accrual	–	375,913
Unrealized foreign exchange (gain)/loss	(621,986)	193,893
	(2,407,547)	(3,212,293)
Net change in non-cash working capital items:		
Receivables	(39,118)	4,385
Deposits	1,958	6,557
Prepaid expenses	69,860	68,696
Accounts payable and accrued liabilities	712,470	47,580
Total cash outflows from operating activities	(1,662,377)	(3,085,075)
Cash flows from investing activities		
Restricted cash	51,000	26,397
Mineral property interests	(3,289,663)	(3,350,187)
Proceeds from sale of property	216,024	–
Proceeds from sale of equipment	243,000	–
Total cash outflows from investing activities	(2,779,639)	(3,323,790)
Cash flows from financing activities		
Long-term debt issuances	–	6,946,426
Long-term debt repayment	(45,000)	(19,711,039)
Issuance of common shares	1,000,200	23,105,250
Costs of issuance of common shares	–	(1,626,094)
Total cash inflows from financing activities	955,200	8,714,543
Foreign exchange (gain)/loss on cash	79,139	(105,531)
Total increase/(decrease) in cash during the year	(3,407,677)	2,200,147
Cash and cash equivalents, beginning of the year	4,057,505	1,857,358
Cash and cash equivalents, end of the year	$ 649,828	$ 4,057,505
Cash and cash equivalents consists of:		
Cash	$ 440,893	$ 156,844
Cash equivalents	208,935	3,900,661
Total cash and cash equivalents, end of year	$ 649,828	$ 4,057,505

Noncash Transactions – Note 10

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.

Schedule 1

(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
for the year ended December 31, 2012
(Expressed 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 5	(57,600)	(138,125)	(2,303,441)	(2,499,166)
Wages/Consulting – Note 9	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	8,633	8,633	8,933	26,199
Legal fees	150,757	464	–	151,221
Claims fees	51,800	106,960	–	158,760
Land/lease payments	154,589	97,964	16,887	269,440
Drilling/ Engineering	67,642	–	2,987	70,629
Permitting	2,079,138	10,000	408	2,089,546
Impairment – Note 5	(12,320)	(52,425)	–	(64,745)
Sale of land – Note 5	–	–	(333,659)	(333,659)
Wages/Consulting – Note 9	839,495	99,635	–	939,130
Balance, December 31, 2012	$ 30,397,541	$3,752,594	$14,839,382	$ 48,969,318

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations and Going Concern

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 annual 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 annual 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 December 31, 2012, the Company had not yet achieved profitable operations, had a deficit of $31,712,720 and working capital not including warrant liability of $42,698. The Company's focus is furthering its permitting applications at its Dewey-Burdock project. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Management anticipates the funds from the private placement as discussed in Note 18, will be sufficient to meet the Company's upcoming permitting efforts. The Company has had success in the past in equity raisings and will continue to assess all alternatives if additional funds are required.

Note 2 Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2012.

Note 3 Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and the convertible note payable which are measured at fair value through profit and loss. The consolidated financial statements 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 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. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Note 4 Significant Accounting Policies

Significant accounting judgments and estimates

The preparation of these consolidated financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these consolidated financial statements.

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

i) determination of categories of financial assets and financial liabilities involves assessments made by management;

ii) assessment of impairment, recoverability of the carrying value of the Company's exploration and evaluation assets; and

iii) assessment of contracts as derivative instruments and for embedded derivatives. In determining whether a contract represents a derivative or contains an embedded derivative, the most significant area where judgment has been applied pertains to the determination as to whether the contract can be settled net, one of the criteria in determining whether a contract for a non-financial asset is considered a derivative and accounted for as such. Judgment is also applied in determining whether an embedded derivative is closely related to the host contract, in which case bifurcation and separate accounting are not necessary.

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

i) Deferred income taxes - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

ii) Convertible promissory note payable – The Company has designated the convertible promissory note as a financial liability. The initial fair value of the convertible promissory note was determined by fair valuing the instrument and the put option using assumptions and inputs in a valuation model. Assumptions underlying the valuations may require estimation of share price volatility, discount rates, interest rates, defaults and other variables.

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.

Note 4 Significant Accounting Policies – (cont'd)

Restricted Cash

Restricted cash consists of deposits held for collateral pursuant to bonds provided to State authorities in connection with mineral property activities.

Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances which are caused by 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 rehabilitation provisions at December 31, 2012 and 2011, 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.

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.

Note 4 Significant Accounting Policies – (cont'd)

Mineral Properties – (cont'd)

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 transfee 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 consolidated statement of comprehensive income/(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 the statement of comprehensive income/(loss) in the period in which the evaluation was completed. See Note 5 for further discussion.

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 substantively 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.

Note 4 Significant Accounting Policies – (cont'd)

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 charges 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 the statement of comprehensive 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 of the 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 8 for discussion of the Company's stock option plan.

Basic and Diluted Income (Loss) Per Common Share

Basic income (loss) 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 (loss) per common share reflect the potential dilution that could occur if potentially dilutive securities, such as convertible debt obligations, warrants, and 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, and share warrants that have no derivative elements 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.

Note 4 Significant Accounting Policies – (cont'd)

Foreign Currency Translation

The Company's functional currency is the US dollar. 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. Monetary items are translated at a rate in effect at period end. 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 the statement of comprehensive income/(loss).

Financial Instruments

Financial assets and financial liabilities, including derivatives, are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit and loss, 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 carried at fair value with changes in those fair values recognized in statement of comprehensive income/(loss). Financial assets and financial liabilities classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

Available-for-sale financial assets are carried at fair value with changes in fair value recognized in other comprehensive income/(loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are carried 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 carried 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's financial instruments is further described in Note 15.

Financial instruments carried at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents, receivables, deposits and restricted cash are classified as loans and receivables and are carried at amortized cost. Accounts payable and accrued liabilities, long-term debt, agreements payable, and convertible debt with conversion features presented as equity are classified as other financial liabilities and are carried at amortized cost. Convertible promissory notes with conversion features presented as liabilities, warrants that have an exercise price different than the functional currency are presented as liabilities and other embedded derivatives are classified as fair value through profit or loss and measured at fair value.

Note 4 Significant Accounting Policies – (cont'd)

Financial Instruments – (cont'd)

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 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 Company has decided to measure the entire instrument at its fair value and accordingly has not bifurcated between the host contract and the embedded derivative.

The embedded derivative is fair valued each reporting period using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

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, 2013 or later periods. None of these pronouncements are expected to have a significant effect on the consolidated financial statements, other than what is stated below.

- 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, 2015. The Company is in the process of evaluating the impact of the new standard on its financial position.

Note 4 Significant Accounting Policies – (cont'd)

Future accounting changes – (cont'd)

- IFRS 10 Consolidated Financial Statements: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the standard for the accounting period beginning on January 1, 2013 is expected to have no impact on the Company's consolidated financial statements.
- IFRS 11 Joint Arrangements: IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The adoption of the standard for the accounting period beginning on January 1, 2013 is expected to have no impact on the Company's consolidated financial statements.
- IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of the standard for the accounting period beginning on January 1, 2013 is expected to have no impact on the Company's consolidated financial statements.
- IFRS 13 Fair Value Measurement: IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The adoption of the standard for the accounting period beginning on January 1, 2013 is expected to have no impact on the Company's consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2014

- **IAS 32 Financial Instruments: Presentation:** The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. The Company is currently assessing the impact that the adoption of this standard may have on its consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2015

- **IFRS 7, Financial Instruments Disclosures*:*** Amended standard IFRS 7 Financial Instruments: Disclosures outlines the disclosures required when initially applying IFRS 9 Financial Instruments.
- **IFRS 9, Financial Instruments*:*** The standard is the first step in the process to replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39, Financial instruments: recognition and measurement, derecognition of financial assets and financial liabilities. This standard is not applicable until January 1, 2015 but is available for early adoption. The Company is currently assessing the impact that the adoption of IFRS 9 may have on its consolidated financial statements

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Note 5 Mineral Properties

South Dakota, USA

Dewey Burdock Project – Custer and Fall River Counties

The Company's Dewey-Burdock Project is located in the Edgemont Uranium District. The Project is comprised of approximately 50 mining leases and approximately 370 mining claims covering approximately 14,500 surface acres and 17,800 net mineral acres.

As at December 31, 2012 and 2011, restricted cash was $22,215 on this property with respect to potential reclamation activities.

During the year ended December 31, 2011, the Company decided not to renew portions of certain lease agreements associated with its Dewey-Burdock Project. As a result, the Company wrote-down historical capitalized costs associated with those leases in the amount of $57,600. There were no such charges for the year ended December 31, 2012.

Colorado, USA

Centennial Project – Weld County

The Company's Centennial Project is located in western Weld County in northeastern Colorado. As of December 31, 2012, through property purchase and/or lease agreements, the Centennial Project is comprised of approximately 3,600 acres of surface rights and approximately 7,100 acres of mineral rights.

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. Through 2010, the Company made payments totalling $1,922,000. 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 the option agreements in the amount of approximately $2,300,000, as any option payment made was non-refundable to the Company in the event the Company did not elect to exercise its option to complete the purchase.

During 2012, the Company sold a portion of its land holdings within the Centennial Project area for gross proceeds of $216,024. As a result, the Company wrote-off its capitalized costs associated with this area in the amount of $333,659 and incurred a realized loss of $117,635.

As at December 31, 2012 and 2011, restricted cash was $168,808 and $219,808, respectively, on this property with respect to potential reclamation activities.

Wyoming, USA

Aladdin Project – Crook County

The Aladdin Project is comprised of approximately 25 leases or options to lease. This prospect is 80 miles north of the Company's Dewey Terrace prospect, discussed below, and consists of approximately 14,500 acres of surface rights and approximately 14,000 acres of mineral rights along the northwest flank of the Black Hills Uplift.

During the year ended December 31, 2012 and 2011, the Company decided not to renew portions of certain lease agreements and elected not to continue its annual maintenance payments on certain claims associated with its Aladdin Project. As a result, write-off of costs associated with those leases and claims in the amount of approximately $37,000 and $85,000, respectively.

Note 6 Building and Equipment

	Building	Computer equipment	Field equipment	Office equipment	Vehicles	Total
Cost						
Balance, December 31, 2010	$ 92,628	$ 240,664	$ 278,265	$ 72,887	$ 169,718	$ 854,162
Retirements	–	(7,630)	(160)	(1,907)	-	(9,697)
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, December 31, 2012	$ 92,628	$ 233,034	$ 127,923	$ 70,980	$ 30,505	$ 555,070
Accumulated Depreciation						
Balance, December 31, 2010	$ 4,402	$ 162,143	$ 170,121	$ 52,149	$ 143,616	$ 532,431
Retirements	–	(6,737)	(114)	(1,725)	-	(8,576)
Depreciation	2,315	36,908	45,683	9,813	18,357	113,076
Balance, December 31, 2011	6,717	192,314	215,690	60,237	161,973	$ 636,931
Assets sold	–	–	(127,920)	–	(133,003)	(260,923)
Depreciation	2,316	24,481	20,593	7,666	1,535	56,591
Balance, December 31, 2012	$ 9,033	$ 216,795	$ 108,363	$ 67,903	$ 30,505	$ 432,599
Carrying amount						
At December 31, 2011	$ 85,911	$ 40,720	$ 62,415	$ 10,743	$ 7,745	$ 207,534
At December 31, 2012	$ 83,595	$ 16,239	$ 19,560	$ 3,077	$ –	$ 122,471

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

Note 7 Long-term Debt

	December 31, 2012	December 31, 2011
Agreements payable		
$100,000 payable [(a)]	$ 40,000	$ 50,000
$300,000 payable [(b)]	115,116	126,175
$2,000,000 payable [(c)]	960,810	881,621
	1,115,926	1,057,796
Convertible promissory note payable [(d)]	–	1,499,035
	1,115,926	2,556,831
Less current portion	45,000	45,000
	$ 1,070,926	$ 2,511,813

As of December 31, 2012, principle and interest payments due are as follows:

	2013	2014-2016	2017-2018	Thereafter	Total
Agreements payable	$ 45,000	$ 1,305,000	$ 60,000	$ nil	$ 1,410,000

[(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 December 31, 2012, the balance owed is $40,000. Expiry date of this agreement payable is during the fiscal year 2016.

Note 7 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.

(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 December 31, 2012, the balance owed is $180,000. Expiry date of this agreement payable is during the fiscal year 2018. 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 of $180,000 and the debt obligation of $300,000 is being accreted over the remaining life until maturity using amortized cost method.

During the year ended December 31, 2012, $18,941 (2011: $55,919) of imputed interest expense has been charged to the consolidated statement of comprehensive income/(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 $810,000 (2011: $805,000) has been paid to date. During September 2011, the annual instalment payments were renegotiated to the following terms: 2011 through 2013: $5,000 and 2014 through 2016: $395,000. As of December 31, 2012, the balance owing was $1,190,000. Expiry date of this agreement payable is during the fiscal year 2016. In accordance with the accounting for restructured debt, the September 2011 renegotiation of the instalment payments is considered an extinguishment of the original loan and issuance of a new loan. 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.

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 amortized cost of approximately $961,000 at December 31, 2012 and the debt obligation of approximately $1,190,000 is being accreted over the remaining life until maturity using effective interest rate method.

During the year ended December 31, 2012, $84,189 (2011: $85,688) of imputed interest expense has been charged to the consolidated statement of comprehensive income/(loss)and credited to agreements payable.

(d) During March 2011, the Company issued an unsecured non-interest bearing promissory note in the principal amount of $7,700,000 (CAD$7,500,000) (the "Note") to Société Belge de Combustibles Nucléaires Synatom SA ("Synatom") which is repayable in cash or common shares at the Company'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 the Company, 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 the minimum conversion price of CAD$0.60, Synatom will acquire a maximum 12,500,000 common shares of the Company. The Company designated the convertible promissory note as a single instrument financial liability carried at fair value through profit and loss. The 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

Note 7 Long-term Debt – (cont'd)

inputs in a valuation model. The difference between the face value of the instruments $7,700,000 (CAD$7,500,000) and the fair value was recorded to the $10,080,905 gain on extinguishment of debt.

The Company re-measured the fair value of the promissory note each reporting period resulting in a gain on the fair value of the promissory note liability of $2,966,402 for the year ended December 31, 2011.

During November 2012, the Company repaid the loan by issuing 12,500,000 common shares valued at $1,375,300 (CAD$ 1,375,000) which resulted in a gain on extinguishment of debt of $169,354.

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

	Convertible Promissory Note	
	At Inception	November 6, 2012
Conversion price	$ 0.60	$ 0.60
Share price	$ 0.30	$ 0.11
Term	2 years	0.33 years
Volatility	90	63
Risk free rate	3%	3%
Dividend yield	nil	nil

Note 8 Share Capital and Contributed Surplus

Authorized

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

Common Shares Issued

	Number	Amount (Restated – Note 17)	Contributed Surplus [b]
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957
Share issuance [a]	47,872,340	20,840,888	–
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	69,685,693	7,224,676
Stock-based compensation	–	–	418,253
Deferred tax recovery (Note 12)	–	271,234	–
Share issuance [c, d]	22,500,000	2,335,058	–
Balance, December 31, 2012	125,801,362	$ 72,291,985	$ 7,642,929

(a) On March 15, 2011, the Company completed a public offering of 47,872,340 units at a price of $0.48 (CAD$0.47) per unit to raise approximately gross proceeds of $23,100,000 (CAD$22,500,000) pursuant to a short form prospectus dated March 2, 2011 (the "2011 Offering"). Each unit was comprised of one common share and one-half share purchase warrant. Of the gross proceeds, $2,264,362 was allocated to the fair value of the share purchase warrants. On the same day, the Company closed its refinancing transaction with Synatom, which was approved by Powertech's shareholders at a special meeting held on March 14, 2011.

Note 8 Share Capital and Contributed Surplus– (cont'd)

Common Shares Issued – (cont'd)

The closings of each of the 2011 offering and the refinancing transaction were mutually conditional on the closing of the other. See Note 8 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.

(c) During November 2012, the Company completed a non-brokered private placement financing (the "2012 Financing") of 10 million units at a price of CAD$0.10 per unit for gross proceeds of CAD$1,000,000 ($1,009,000). Each Unit consisted of one common share of the Company and one-half of one share purchase warrant. One whole warrant entitles the holder thereof to purchase one additional common share at a price of CAD$0.20 per common share up to November 6, 2013. Since the share purchase warrants exercise price is in a different currency than the functional currency the warrant liability was fair valued using the Black Scholes option pricing model using the following inputs: 65% volatility, 3% interest risk free rate, 1 year expected life, and 0% dividend yield. A fair value of $49,397 was allocated to warrant liability with the remaining proceeds being allocated to share capital. The change in the warrant liability at year end was trivial and not recorded. This is a non-cash transaction.

(d) During November 2012, the Company repaid the loan by issuing 12,500,000 common shares valued at $1,375,300 (CAD$ 1,375,000) which resulted in a gain on extinguishment of debt of $169,354.

Share Purchase Warrants

Share purchase warrant liability

		December 31, 2012		**December 31, 2011**
				(Note 17)
Balance, beginning of year	$	-	$	-
Fair value at inception, March 2011[a]		-		2,264,362
Fair value of warrant liability, November 2012 [b]		49,397		-
Gain on derivative liability for the year		-		(2,264,362)
Balance, end of year	$	49,397	$	-

(a) As part of the March 2011 offering discussed above, 23,936,170 whole share purchase warrants were issued. Each whole warrant entitles the holder to purchase one common share at an exercise price of CAD$0.60 for two years following the closing of the offering under certain circumstances. The warrants were considered a derivative liability as the exercise price is different than the functional currency of the Company. The fair value of the share purchase warrant liability was estimated using the Black-Scholes pricing model. Assumptions used in the pricing model at inception, December 31, 2011 and December 31, 2012 are as follows: 90.37% volatility, 2 to 3% interest risk free rate, 3 months to 2 years and 0% dividend yield.

(b) As part of the 2012 Financing, discussed above, 5,000,000 whole share purchase warrants were issued. One whole Warrant entitles the holder thereof to purchase one additional Share at a price of CAD$0.20 per Share for a period of one year from closing of the 2012 Financing. The warrants were considered a derivative liability as the exercise price is different than the functional currency of the Company and were valued at $49,397 using black-scholes pricing model. The warrant liability was estimated using the Black-Scholes pricing model using the following inputs: 65.41% volatility, 3% interest risk free rate, 1 year expected life and 0% dividend yield.

Note 8 Share Capital and Contributed Surplus – (cont'd)

Share Purchase Warrants – (cont'd)

Changes in share purchase warrants for the year ended December, 2012 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2011	Issued during the period	Expired during the period	Outstanding at December 31, 2012
March 15, 2013	$0.60	23,936,170	–	–	23,936,170
March 15, 2013	$0.47	3,111,702	–	–	3,111,702
November 6, 2013	$0.20	–	5,000,000	–	5,000,000
Totals		27,047,872	5,000,000	–	32,047,872

At December 31, 2012, there were 32,047,872 whole share purchase warrants outstanding.

Stock Option Plan

The Company has a Stock Option Plan (the "2011 Plan") 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 2011 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 2011 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 December 31, 2012, there were 6,850,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Share options outstanding were as follows:

Grant Date	Expiration Date	Exercise (CAD)	Outstanding at December 31, 2011	Granted during period	Expired/ Forfeited during period	Outstanding at December 31, 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	–	(900,000)	–	–
September 4, 2007	September 4, 2012	$1.60	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	(1,925,000)	6,850,000	6,850,000
Weighted average exercise price (CAD)			$1.72			$0.51	$0.51
Weighted average life remaining (years)			1.00			3.31	3.31

*These options expired subsequent to December 31, 2012.

Stock-based Compensation:

During the year ended December 31, 2012, the Company has granted 5,050,000 options to officers and directors of the Company. The options were vested on the date of grant and the fair value was estimated using the Black-Scholes option pricing model. The options were fair valued using the following inputs: 92.14% volatility, 1.2% interest risk free rate, 5 years expected life and 0% dividend yield. During the year ended December 31, 2012 stock-based compensation was $418,253 (2011: $8,100) of which $169,107 (2011: 8,100) was included in mineral property costs under wages/consulting.

Note 9 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:

	Year Ended December 31, 2012	2011
Director fees and other compensation	$ 135,969	$ 61,992
Management compensation and short-term benefits	1,369,965	1,243,851
	$ 1,505,934	$ 1,305,843

As of December 31, 2012 and 2011, the Company had not prepaid any management and consulting fees.

As of December 31, 2012 and 2011, the Company had an accrued liability of $4,500 and $8,600 respectively to its directors for services rendered but not yet paid.

As of December 31, 2012, under the Company's deferred compensation arrangement with certain officers, the Company has a recorded liability of approximately $226,000 in accrued liabilities (December 31, 2011: $25,000) which has been included in management compensation and short-term benefits (See Note 11)

For the year ended December 31, 2012, the Company recorded stock based compensation of $347,852 (2011: $nil) to certain related parties which has been reflected in the table above.

The Synatom transactions discussed in Notes 7 and 8 were considered related party transactions as they are considered to be significant shareholders.

Note 10 Non-cash Transactions

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

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

(b) Included in accounts payable and accrued liabilities is approximately $353,000 (2011: $82,000) relating to mineral properties.

Note 11 Commitments and Contingencies

Mineral Property Interests – Land and Mineral Lease Commitments

Dewey-Burdock Project - The Company leases both surface and minerals within the Dewey-Burdock Project area in South Dakota. In general, the mineral owners will be paid a 5% overriding royalty. The surface owners will be paid a two percent overriding royalty as incentive to support the development of uranium under their lands. In addition, surface owners are paid an annual rental to cover the cost of surface damage and to compensate for reduction of husbandry grazing during field operations. Generally, royalty payments to the surface owners will be reduced by the amount of rentals previously paid. The basic terms of the leases are five-year initial terms and are renewable two times at the five-year mark and ten years from original signing. Additional bonuses are paid to the landowners at the time of renewal. The

Note 11 Commitments and Contingencies – (cont'd)

Mineral Property Interests – Land and Mineral Lease Commitments – (cont'd)

majority of the leases are in force through 2020 without production. In the case of production, all leases will be held as long as minerals are produced. The average annual remaining payments under the agreements are approximately $220,000. An additional $2,050,000 is payable upon receipt of certain permits and authorizations.

Aladdin Prospect - The Company maintains lease agreements with mineral owners in its Aladdin Prospect in Wyoming. The Company granted the mineral owners a six percent overriding royalty payment out of sales of the product. The surface owners will be paid a two percent overriding royalty as incentive to support the development of uranium under their lands. In addition, surface owners are paid an annual rental to cover the cost of surface damage and to compensate for reduction of husbandry grazing during field operations. The basic terms of the leases are five-year initial terms and are renewable one time at the five-year mark from original signing. Additional bonuses are paid to the landowners at the time of renewal. Most of the leases are in force through 2017 without production. In the case of production, all leases will be held as long as minerals are produced. The average annual remaining payments under the agreements are approximately $128,000.

Centennial Project – The Company maintains lease agreements with mineral owners in its Centennial Project area in Colorado. The Company granted the mineral owners a five percent, escalating, overriding royalty payment out of sales of the product. The surface owners will be paid a two percent overriding royalty as incentive to support the development of uranium under their lands. In addition, surface owners are paid an annual rental to cover the cost of surface damage and to compensate for reduction of husbandry grazing during field operations. Generally, royalty payments to the surface owners will be reduced by the amount of rentals previously paid. The leases have an initial term of five years and are renewable upon payment of the annual rental fee. The average annual remaining payments under the agreements are approximately $29,000. An additional $2,000,000 is due upon receipt of certain permits and licenses.

Claims Maintenance – The Company has secured approximately 1,100 mining claims within its various prospects. Annual maintenance costs of the mining claims are approximately $159,000.

See Note 8 for discussion of long-term debt commitments related to mineral properties.

Management Services Agreements and Employment Agreements

The Company renewed three management services agreements and six employment agreements during the year ended December 31, 2012. The agreements require the Company to pay fees totalling approximately $90,000 per month. Certain members of the Company's management and executive team have agreed to defer a portion of their salary (ranging from 10-25%) starting November 2011 through October 2013. In addition, these agreements require the Company to record a liability for deferred compensation in the amount of approximately $18,000 per month. The Company recorded a liability of approximately $250,000 (see Note 9) associated with such deferred compensation until the payment date which may be upon termination of employment (as defined in the agreements), change of control (as defined in the agreements) or October 31, 2013.

Legal Matters

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

Note 11 Commitments and Contingencies

Office Leases

The Company leases office space in Vancouver, British Columbia; Albuquerque, New Mexico; and Greenwood Village, Colorado. Total annual lease payments for these offices is approximately $146,000 (2011: $201,800).

Note 12 Income Taxes

The material components of the income tax expense for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Statutory tax rates	25.00%	26.50%
Income (loss) before income taxes	$ (1,992,927)	$ 7,307,132
Expected income tax expense (recovery)	$ (498,000)	$ 1,936,000
Increase (decrease) in income tax resulting from:		
Foreign income taxed at other than Canadian statutory rates	(126,000)	(381,000)
Non-taxable items	(296,000)	(743,000)
Effect of debt settlement	(465,000)	–
Changes in tax rate	–	(153,000)
Impact of initial recognition exemption	(65,000)	94,000
Other	15,000	–
Increase (decrease) in unrecognized tax assets	794,000	(112,000)
Income tax expense	$ (641,000)	$ 641,000

Changes to the federal and provincial tax rates were announced in 2011 which resulted in an adjustment to the opening carrying value of temporary differences.

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at December 31, 2012 and 2011 are summarized as follows:

	January 1, 2012	Recognized in net income	Recognized in equity	December 31, 2012
Property and equipment and other	$ –	$ 66,000	$ –	$ 66,000
Share issue costs	377,000	165,000	(271,000)	271,000
Non-capital losses carried forward	15,652,000	1,165,000	–	16,817,000
Offset against deferred tax liabilities	(10,806,000)	(331,000)	–	(11,137,000)
Unrecognized deferred tax assets	(5,223,000)	(794,000)	–	(6,017,000)
Deferred tax assets	–	271,000	(271,000)	–
Exploration and evaluation	(9,941,000)	(1,180,000)	–	(11,121,000)
Other	(7,000)	(9,000)	–	(16,000)
Promissory note at fair value	(1,499,000)	1,499,000	–	–
Offset against deferred tax assets	10,806,000	331,000	–	11,137,000
Deferred tax liabilities	(641,000)	641,000	–	–
Net deferred tax balance	$ 641,000	$ (370,000)	$ (271,000)	$ –

Note 12 Income Taxes (cont'd)

	January 1, 2011	Recognized in net income	Recognized in equity	December 31, 2011
Share issue costs	$ 10,000	$ –	$ 367,000	$ 377,000
Non-capital losses carried forward	14,337,000	1,315,000	–	15,652,000
Offset against deferred tax liabilities	(9,012,000)	(1,794,000)	–	(10,806,000)
Unrecognized deferred tax assets	(5,335,000)	479,000	(367,000)	(5,223,000)
Deferred tax assets	–	–	–	–
Exploration and evaluation	(9,005,000)	(936,000)	–	(9,941,000)
Other	(7,000)	--	–	(7,000)
Promissory note at fair value	–	(1,499,000)	–	(1,499,000)
Offset against deferred tax assets	9,012,000	1,794,000	–	10,806,000
Deferred tax liabilities	–	(641,000)	–	(641,000)
Net deferred tax balance	$ –	$ 641,000	$ –	$ 641,000

As at December 31, 2012, the Company had estimated non- capital losses for Canadian Tax purposes of $1million (December 31, 2011: $2 million). During the year, the Company utilized non-capital losses, foreign resource expenditures and undeducted financing costs to reduce a tax liability to $nil. As a result, a deferred tax recovery of $369,948 is recorded in the statement of comprehensive loss and $271,234 deferred income tax recovery is recorded in equity representing recognized share issuance cost. The $1,000,000 losses expire in the next 20 years and may be utilized to reduce taxable income derived in future years. The Company has also estimated non-capital losses for US Tax purposes of $47 million (December 31, 2011: $42 million). These losses will be expired in 20 years.

Note 13 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.

	Year ended December 31, 2012	2011
Net income/ (loss) for the year	$ (1,622,979)	$ 6,668,328
Weighted average number of common shares outstanding		
Basic	106,682,510	93,595,737
Effect of convertible debt	–	12,500,000
Diluted	106,682,510	106,095,737
Net income/ (loss) per common share		
Basic	$ (0.01)	$ 0.07
Diluted	$ (0.01)	$ 0.06

Note 14 Capital Management

The Company monitors its cash, debt, common shares, and stock options as capital. The Company's objectives when managing capital are:

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

The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt or balance equity and making adjustments to its capital expenditure program The Company is not exposed to any externally imposed capital requirements nor were there any changes in the Company's approval to capital management during the year.

Note 15 Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:
- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

There is no difference between the fair value and carrying value of the financial assets and liabilities for the years ended December 31, 2012 and 2011.

The financial liabilities designated at fair value through profit or loss and the warrant liability are defined as level 2, in accordance with IFRS 7, as it is derived from inputs other than quoted market prices which are observable from the liability. There have been no transfers between level 1 and 2 in any year.

General Objectives, Policies and Processes:

The Board of Directors has an overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to management. The Board of Directors receive monthly reports from the Company's controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature. The Company does not hold any financial instruments that would be included in the classification of available for sale.

Note 15 Financial Instruments and Risk Management – (cont'd)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, credit risk, liquidity risk and interest rate risk. In the normal course of operations, the Company is exposed to these risks. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risk are as follows:

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

In order to satisfy these objectives, the Company has adopted the following policies:

- prepare budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets; and
- recognize and observe the extent of operating risk within the business;

There have been no changes in risks that have arisen or how the Company manages those risks from the prior period.

(i) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar will affect the Company's operations and financial results. The most significant impact of foreign currency is on the Company's net loss and other comprehensive loss due to the translation of balances denominated in a currency other than the US dollar using the temporal method. The Company is also exposed to foreign exchange risk arising from:

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

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

The Company is exposed to foreign currency risk in respect of trade payables and accrued liabilities of $92,000. The debt obligation is the principal amount of the debt obligation outstanding, not the fair value at the balance sheet date.

There are no significant non-financial assets and liabilities that have foreign currency risk exposure. As at December 31, 2012, with other variables unchanged, a $0.01 strengthening (weakening) of the United States dollar against the Canadian dollar would increase (decrease) our net loss by $9,000.

(ii) Credit Risk

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

Note 15 Financial Instruments and Risk Management – (cont'd)

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 649,828	$ 4,057,505
Receivables	53,230	13,752
Restricted cash	208,030	259,031
	$ 911,088	$ 4,330,288

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 12 months. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations:

December 31, 2012	**Payments Due by Period**				
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Thereafter**	**Total**
Lease obligations	$ 259,825	$ 1,194,935	$ 630,063	$ 684,827	$ 2,769,650
Accounts payable and accrued liabilities	654,358	–	–	–	654,358
Agreements payable	45,000	1,305,000	60,000	–	1,410,000
	$ 959,183	$ 2,499,935	$ 690,063	$ 684,827	$ 4,834,008

December 31, 2011	**Payments Due by Period**				
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Thereafter**	**Total**
Lease obligations	$ 566,186	$ 1,443,048	$ 462,169	$ 276,027	$ 2,747,430
Accounts payable and accrued liabilities	292,428	–	–	–	292,428
Agreements payable	45,000	915,000	465,000	30,000	1,455,000
Convertible promissory note [1]	–	7,353,000	–	–	7,353,000
	$ 903,614	$ 9,711,048	$ 927,169	$ 306,027	$ 11,847,858

[1] The convertible promissory note was repaid in shares during 2012. This amount represents the actual debt obligation not its fair value at the balance sheet date. See Notes 7 and 8 for further discussion.

iv) Interest rate risk

The Company is not significantly exposed to interest rate risk on its outstanding short-term investments. The Company is not exposed to interest rate risk on its outstanding borrowings. The Company did not have any interest-bearing borrowings as at December 31, 2012 or 2011.

Note 16 Segment Reporting

The Company has one reportable operating segment, being that of acquisition and exploration and evaluation activities, all of which are located in the United States.

Note 17 Prior Period Adjustment

During the year, the value of the 23,936,170 warrants issued in connection with the March 2011 public offering were reassessed as a liability since the Company's functional currency is the U.S dollar and it has issued these warrants that have an exercise price denominated in Canadian dollars. The Company has determined that warrants, other than agent warrants which are accounted for under IFRS 2, with an exercise price denominated in a currency that is different from the entity's functional currency are derivative liabilities and cannot be considered as equity and should be classified as liabilities carried at fair value through profit and loss.

As a result, the Company has restated its comparative consolidated financial statements as at December 31, 2011 and for the year then ended to reflect the presentation of these instruments as derivative liabilities rather than equity. As of December 31, 2011 the fair value of the warrants were of nominal value and thus not recorded. As a result share capital was reduced by $2,264,362 for their fair value at date of issue, and net income was increased and deficit reduced by $2,264,362 to reflect the changes in fair value to December 31, 2011. Basic and diluted earnings per share changed from $0.05 to $0.07 and $0.04 to $0.06, respectively.

	For the year ended December 31 , 2011			
		As previously reported		As restated
Consolidated statement of financial position:				
Share capital	$	71,950,055	$	69,685,693
Deficit		(32,354,103)		(30,089,741)
Consolidated statement of comprehensive income (loss):				
Gain on re-measurement of warrant liability (Note 8)	$	-	$	2,264,362
Net income and comprehensive income for year		4,403,966		6,668,328
Basic earnings per share		0.05		0.07
Diluted earnings per shares	$	0.04	$	0.06

Note 18 Subsequent Event

During February 2013, the Company completed a non-brokered private placement financing of 15 million units at a price of CAD$0.10 per unit for gross proceeds of CAD$ 1,500,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional share at a price of CAD$0.20 per share for a period of three years from closing of the financing.