



POWERTECH URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

(Stated in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

	<u>ASSETS</u>	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Current			
Cash and cash equivalents		\$ 5,749,254	\$ 3,581,859
Receivable		1,462	35,979
Deposits		19,648	19,648
Prepaid expenses		<u>111,187</u>	<u>193,447</u>
		5,881,551	3,830,933
Restricted cash		558,050	557,882
Mineral properties – Notes 2, 5, 6 and Schedule 1		43,208,375	40,186,113
Building and equipment – Note 3		<u>401,394</u>	<u>426,028</u>
		<u>\$50,049,370</u>	<u>\$ 45,000,956</u>
	<u>LIABILITIES</u>		
Current			
Accounts payable and accrued liabilities		\$ 575,600	\$ 576,303
Current portion of long-term debt – Note 7		<u>6,658,024</u>	<u>290,000</u>
		7,233,624	866,303
Long-term debt			
Agreements payable – Notes 7		652,815	659,811
Loan facility payable – Note 7		6,658,659	5,894,432
Convertible note payable – Note 7		<u>7,801,225</u>	<u>7,052,160</u>
		<u>22,346,323</u>	<u>14,472,706</u>
	<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Note 4		50,831,518	50,831,518
Contributed surplus – Note 4		6,777,479	6,726,716
Equity portion of convertible debt – Note 7		2,363,211	2,363,211
Equity portion of loan facility – Note 7		785,541	785,541
Accumulated other comprehensive loss		(5,004,102)	(5,004,102)
Deficit		<u>(28,050,600)</u>	<u>(25,174,634)</u>
		<u>27,703,047</u>	<u>30,528,250</u>
		<u>\$ 50,049,370</u>	<u>\$ 45,000,956</u>
Nature of Operations and Going Concern – Note 1			
Commitments and Contingencies – Notes 2 and 8			

APPROVED BY THE DIRECTORS:

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

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General and administrative expenses				
Accretion – Note 7	\$ 361,230	\$ 193,156	\$ 714,576	\$ 292,821
Amortization and depreciation	36,126	40,792	71,292	96,034
Audit and accounting fees	482	–	13,565	61,627
Community and media relations	37,262	64,775	101,648	123,367
Director fees – Note 5	8,762	7,718	17,407	14,967
Filing fees	382	4,896	18,738	31,448
Foreign exchange gain	(434,748)	(371,527)	(115,486)	(749,540)
Insurance	24,180	33,031	46,868	60,662
Investor relations and promotion	45,543	28,740	67,586	83,286
Legal fees	37,175	56,668	60,423	54,707
Management and consulting fees – Note 5	138,862	129,703	276,667	268,389
Office and miscellaneous	125,969	114,328	259,517	226,475
Transfer agent fees	5,582	1,371	7,081	5,889
Travel and accommodation	69,770	107,431	143,218	200,764
Wages and benefits – Note 4	<u>276,805</u>	<u>269,410</u>	<u>570,645</u>	<u>531,767</u>
Loss before other	733,382	680,492	2,253,745	1,302,663
Other				
Interest income	(430)	(4,752)	(568)	(11,830)
Interest expense	<u>354,032</u>	<u>139,786</u>	<u>622,789</u>	<u>226,632</u>
Net loss for the period	1,086,984	815,526	2,875,966	1,517,465
Deficit, beginning of the period	26,963,616	20,786,109	25,174,634	20,084,170
Deficit, end of the period	<u>\$ 28,050,600</u>	<u>\$ 21,601,635</u>	<u>\$ 28,050,600</u>	<u>\$ 21,601,635</u>
Basic and diluted loss per share	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>
Weighted average number of shares outstanding	<u>55,429,022</u>	<u>55,429,020</u>	<u>55,429,022</u>	<u>55,429,020</u>

SEE ACCOMPANYING NOTES

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
 <u>Statements of Comprehensive Loss</u>				
Net and comprehensive loss for the period	\$ 1,086,984	\$ 815,526	\$ 2,875,966	\$ 1,517,465
 <u>Statements of Accumulated Other Comprehensive Loss</u>				
Balance, beginning and end of period	\$ 5,004,102	\$ 5,004,102	\$ 5,004,102	\$ 5,004,102

SEE ACCOMPANYING NOTES

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operating Activities				
Net loss for the period	\$ (1,086,984)	\$ (815,526)	\$ (2,875,966)	\$ (1,517,465)
Items not affecting cash:				
Accretion	361,230	193,156	714,576	292,821
Depreciation and amortization	36,126	40,792	71,292	96,034
Stock based compensation	-	-	-	19,068
Unrealized foreign exchange loss (gain)	<u>(364,382)</u>	<u>(275,573)</u>	<u>(71,416)</u>	<u>(9,940)</u>
	(1,054,010)	(857,151)	(2,161,514)	(1,119,482)
Net change in non-cash working capital balances:				
Receivables	1,597	44,537	35,027	13,417
Deposits	20,000	5,000	-	43,171
Prepaid expenses	63,918	2,924	82,369	32,170
Accounts payable and accrued liabilities	<u>186,232</u>	<u>(88,049)</u>	<u>522,303</u>	<u>(859,633)</u>
Cash used in operations	<u>(782,263)</u>	<u>(892,739)</u>	<u>(1,521,815)</u>	<u>(1,890,357)</u>
Investing Activities				
Restricted cash	-	10,400	-	301,104
Mineral property interests	(1,876,794)	(2,056,779)	(3,495,296)	(3,126,218)
Building and equipment	<u>(46,658)</u>	<u>(17,515)</u>	<u>(46,658)</u>	<u>(41,344)</u>
Cash used in investing activities	<u>(1,923,452)</u>	<u>(2,063,894)</u>	<u>(3,541,954)</u>	<u>(2,866,458)</u>
Financing Activities				
Long-term debt issuances	3,305,176	-	6,673,046	5,031,679
Long-term debt repayment	(30,000)	(30,000)	(40,000)	(40,000)
Long-term debt interest accrual	<u>354,032</u>	<u>139,786</u>	<u>622,789</u>	<u>226,632</u>
Cash provided by financing activities	<u>3,629,208</u>	<u>109,786</u>	<u>7,255,835</u>	<u>5,218,311</u>
Foreign exchange effect on cash	(137,469)	491,134	(24,671)	174,553
Increase (decrease) in cash during the period	786,024	(2,355,713)	2,167,395	636,049
Cash and cash equivalents, beginning of the period	<u>4,963,230</u>	<u>5,703,606</u>	<u>3,581,859</u>	<u>2,711,844</u>
Cash and cash equivalents, end of the period	<u>\$ 5,749,254</u>	<u>\$ 3,347,893</u>	<u>\$ 5,749,254</u>	<u>\$ 3,347,893</u>
Cash and cash equivalents consists of:				
Cash	\$ 5,749,254	\$ 3,181,559	\$ 5,749,254	\$ 3,181,559
Term deposits	<u>-</u>	<u>166,334</u>	<u>-</u>	<u>166,334</u>
	<u>\$ 5,749,254</u>	<u>\$ 3,347,893</u>	<u>\$ 5,749,254</u>	<u>\$ 3,347,893</u>
Supplementary disclosure of cash flow information				
Interest paid	\$ -	\$ -	\$ -	\$ -
Taxes paid	\$ -	\$ -	\$ -	\$ -
Non-cash Transactions – Note 6				

SEE ACCOMPANYING NOTES

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

	<u>South Dakota</u>	<u>Wyoming</u>	<u>Colorado</u>	<u>Other</u>	<u>Total</u>
Balance, March 31, 2009	19,360,819	3,078,580	11,943,067	205,349	34,587,815
Acquisitions – Note 2	–	–	1,732,000	–	1,732,000
Land services	18,098	855	58,892	–	77,845
Legal fees	98,983	–	260,000	–	358,983
Claims maintenance	77,978	165,030	–	–	243,008
Lease payments	158,482	69,345	101,884	–	329,711
Drilling/ Engineering	238,138	–	565,082	–	803,220
Exploration	3,061	2,278	3,111	–	8,450
Permitting	418,442	–	295,183	–	713,625
Feasibility study	47,844	–	68,599	–	116,443
Wages/consulting – Note 6	<u>638,885</u>	<u>–</u>	<u>576,128</u>	<u>–</u>	<u>1,215,013</u>
Balance, December 31, 2009	\$21,060,730	\$3,316,088	\$15,603,946	\$ 205,349	\$ 40,186,113
Acquisitions – Note 2	–	–	375,000	–	375,000
Land services	22,296	–	22,070	–	44,366
Legal fees	221,809	–	118,299	–	340,108
Lease payments	35,035	12,387	65,220	–	112,642
Drilling/ Engineering	23,623	–	116,164	–	139,787
Permitting	567,560	–	364,525	–	932,085
Feasibility study	150,989	–	153,173	–	304,162
Wages/Consulting – Note 6	<u>451,736</u>	<u>–</u>	<u>322,376</u>	<u>–</u>	<u>774,112</u>
Balance, June 30, 2010	<u>\$ 22,533,778</u>	<u>\$3,328,475</u>	<u>\$17,140,773</u>	<u>\$ 205,349</u>	<u>\$ 43,208,375</u>

SEE ACOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

Note 1 Nature of Operations

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

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

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2010, the Company had not yet achieved profitable operations, had a deficit of \$28,050,600 and negative working capital of \$1,352,073 which may not be sufficient to sustain operations over the foreseeable future and expects to incur further losses in the development of its business, all of which casts doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to raise the necessary funds to permit and develop its mineral properties and achieve future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

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

Note 2 Mineral Properties

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

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

Note 2 Mineral Properties – (cont'd)

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

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

Note 3 Building and Equipment

	<u>At June 30, 2010</u>			<u>At December 31, 2009</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Building	\$ 92,628	\$ 3,245	\$ 89,383	\$ 92,628	\$ 2,087	\$ 90,541
Computer equipment	240,664	135,185	105,479	239,045	108,467	130,578
Field equipment	278,265	136,707	141,558	235,136	111,201	123,935
Office equipment	72,887	44,986	27,901	70,977	38,047	32,930
Vehicles	<u>169,718</u>	<u>132,645</u>	<u>37,073</u>	<u>169,718</u>	<u>121,674</u>	<u>48,044</u>
	<u>\$ 854,162</u>	<u>\$ 452,768</u>	<u>\$ 401,394</u>	<u>\$ 807,504</u>	<u>\$ 381,476</u>	<u>\$ 426,028</u>

Note 4 Share Capital and Contributed Surplus

Authorized:

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

Common Shares Issued:

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, December 31, 2009	55,429,022	\$ 50,831,518	\$ 6,726,716
Stock-based compensation	<u>—</u>	<u>—</u>	<u>50,763</u>
Balance, June 30, 2010	<u>55,429,022</u>	<u>\$ 50,831,518</u>	<u>\$ 6,777,479</u>

Share Purchase Warrants:

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

<u>Expiration Date</u>	<u>Exercise Price (CAD)</u>	<u>Outstanding at December 31, 2009</u>	<u>Issued during the period</u>	<u>Expired during the period</u>	<u>Outstanding at June 30, 2010</u>
June 4, 2010	<u>\$2.00</u>	<u>6,000,000</u>	<u>—</u>	<u>6,000,000</u>	<u>—</u>
Totals		<u>6,000,000</u>	<u>—</u>	<u>6,000,000</u>	<u>—</u>

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

Stock Option Plan:

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

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

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

As of June 30, 2010, 7,419,375 options have vested and are exercisable. The weighted average life of the stock options outstanding is 1.80 years. The weighted average exercise price of the stock options outstanding is CAD\$1.38.

Stock-based Compensation:

During the three months ended June 30, 2010 stock-based compensation was \$6,657 (2009: \$23,726) of which nil (2009: \$nil) was included in wages and benefits and \$6,657 (2009: \$23,726) was included in mineral property costs under wages/consulting.

During the six months ended June 30, 2010 stock-based compensation was \$50,763 (2009: \$121,686) of which nil (2009: \$19,068) was included in wages and benefits and \$50,763 (2009: \$102,618) was included in mineral property costs under wages/consulting.

Loan Facility:

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

Note 5 Related Party Transactions

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Director fees	\$ 8,762	\$ 7,718	\$ 17,407	\$ 14,967
Management and consulting fees	<u>95,048</u>	<u>90,886</u>	<u>189,644</u>	<u>179,880</u>
	<u>\$ 103,810</u>	<u>\$ 98,604</u>	<u>\$ 207,051</u>	<u>\$ 194,847</u>

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

Not included in directors fees and management and consulting fees was stock based compensation expense of \$16,511 for the six months ended June 30, 2009. There was no such expense during the three months ended June 30, 2010 and 2009 nor the six months ended June 30, 2010.

As of June 30, 2010, the Company had prepaid \$30,386 of management and consulting fees related to July 2010 services. Of this amount, \$10,000 was capitalized to resource properties.

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

Note 6 Non-cash Transactions

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

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

- (a) Included in mineral properties cost is stock-based compensation valued at \$6,657 (2009: \$23,726) relating to employees who are directly involved with the mineral properties.
- (b) Included in accounts payable and accrued liabilities is approximately \$524,000 (2009: \$583,000) relating to mineral properties.

For the six months ended June 30, 2010 and 2009:

- (a) Included in mineral properties cost is stock-based compensation valued at \$50,763 (2009: \$102,618) relating to employees who are directly involved with the mineral properties.
- (b) Included in accounts payable and accrued liabilities is approximately \$524,000 (2009: \$583,000) relating to mineral properties.

Note 7 Long-term Debt

Agreements payable

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
<p>Agreement payable of \$100,000, payable in annual installments of \$10,000 of which \$40,000 (December 31, 2009: \$30,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default the lender has the option to obtain the mineral property interest for \$1.</p>	\$ 60,000	\$ 70,000
<p>Agreement payable of \$300,000, payable in annual installments of \$30,000, of which \$60,000 (December 31, 2009: \$30,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the fair value on inception, using a market interest rate of 15% was determined to be \$150,563. The difference of \$149,437 will be accreted over the remaining life until maturity using amortized cost method. For the three and six months ended June 30, 2010, \$1,083 and \$2,055, respectively (2009: \$797 and \$1,520, respectively) of accretion has been charged to the statement of operations and credited to agreements payable.</p>	97,822	125,767
<p>Agreement payable of \$2,000,000, payable in annual installments of \$250,000 of which \$750,000 (December 31, 2009: \$750,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the fair value on inception, using a market interest rate of 9.25% was determined to be \$1,370,940. The difference of \$629,060 is accreted over the remaining life until maturity using amortized cost method. For the three and six months ended June 30, 2010, \$15,869 and \$30,949, respectively, (2009: \$13,495 and \$26,319, respectively) of accretion has been charged to statement of operations and credited to agreements payable.</p>	784,993	754,044
	942,815	949,811
Less: Current portion:	290,000	290,000
	\$ 652,815	\$ 659,811

Note 7 Long-term Debt – (cont'd)

Convertible Debenture payable

**June
30, 2010**

**December
31, 2009**

Convertible debenture (the “Debenture”) of CAD\$9,000,000 (\$7,547,400) bearing interest at the rate of 7% per annum, compounded annually, due February 2012 and secured by a floating charge over all of the Company's acquired property and assets. The Debenture may be converted into the Company's common shares (the "Common Shares") at a fixed conversion price of CAD\$0.50 per Common Share (the "Conversion Price") in certain circumstances. The principal amount of the Debenture, plus accrued and unpaid interest thereon, may be converted (1) by the Company in the event that the Company has obtained all of the permits required to construct and operate either the Centennial or the Dewey-Burdock project; or (2) by the lender at any time, provided that each conversion shall be a minimum of CAD\$100,000 of the principal amount of the Debenture, until (a) repayment in full by the Company of any outstanding principal and interest outstanding on the Debenture, or (b) conversion upon the request of the Company pursuant to (a) above.

The Conversion Price and the number of Common Shares issuable upon conversion of the Debenture are subject to anti-dilution adjustments in the event of a subdivision, consolidation or reclassification of the Common Shares or the issuance of Common Shares to shareholders as a stock dividend. The Company has also agreed not to take certain corporate actions without the consent of the lender until the earlier of: (i) the conversion of the entire Debenture into Common Shares in accordance with the terms and conditions of the Debenture; and (ii) the maturity date.

In accordance with the accounting policy for financial instruments, the convertible debenture was bifurcated into equity and liability components using the relative fair measure method. The equity component was determined using the Black Scholes method with the following assumptions: 90.95% volatility, 0% dividend yield, 1.50% risk-free interest rate and an expected life of three years. The liability component was determined using an implied market interest rate of 15%.

As of June 30, 2010, \$9,429,746 (CAD\$9,882,358) of principal and interest is outstanding and payable.

	\$ 7,801,225		\$ 7,052,160
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For the three and six months ended June 30, 2010, \$163,368 and \$314,822, respectively, (2009: \$139,786 and \$226,632, respectively) of accrued interest of has been charged to statement of operations and credited to convertible debt. For the three and six months ended June 30, 2010, \$220,297 and \$438,785, respectively, (2009: \$178,864 and \$264,982, respectively) of accretion of has been charged to statement of operations and credited to convertible debt. The amount allocated to the equity components is \$2,363,211 and the resulting discount to the debt is being accreted over the remaining life until maturity using amortized cost method.

Note 7 Long-term Debt – (cont'd)

Loan Facility

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
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During August 2009, the Company obtained a bridge loan in the amount of CAD\$3,450,000 (\$3,215,745) (the “Bridge Loan”) that bore interest at the rate of 9% per annum, compounded annually, that matured at the time of initial drawdown under the Loan Facility (see below).

Shortly after the Bridge Loan the Company entered into a loan facility with Synatom (the “Loan Facility”) for CAD\$13,800,000 (\$12,700,000). The Company intends to use the net proceeds of the Bridge Loan and the Loan Facility for working capital and to advance its mineral properties towards production.

During October 2009, concurrent with the entering into of the Loan Facility, the Company drew down the first CAD\$3,450,000 (\$3,339,600) tranche and used the proceeds to repay the Bridge Loan. In addition, the Company paid interest charges of CAD\$59,548 (\$57,642).

The Loan Facility is divided into four equal tranches of CAD\$3,450,000 each. Only the principal amount of the second tranche may be convertible into common shares of the Company at a conversion price of CAD\$0.50 per common share and are subject to anti-dilution adjustments. In accordance with the accounting policy for financial instruments, the convertible debenture was bifurcated into equity and liability components using the relative fair measure method. The equity component was determined using the Black Scholes method with the following assumptions: 102.60% volatility, 0% dividend yield, 0.88% risk-free interest rate and an expected life of 18 months. The liability component was determined using an implied market interest rate of 8.3%.

The first and second tranches bear interest at the rate of 7% per annum, and each of the third and fourth tranches will bear interest at the rate of 9% per annum, with interest for each tranche compounding annually and accruing from the date of drawdown and payable at the respective tranche maturity date. The maturity date for the funds drawn down under each tranche is 18 months from the actual drawdown date of such tranche.

As of June 30, 2010, \$13,540,632 (CAD\$14,190,559) of principal and interest was outstanding and payable.

Less current portion:

	\$ 13,026,683	\$ 5,894,432
	<u>6,368,024</u>	<u>–</u>
	<u>\$ 6,658,659</u>	<u>\$ 5,894,432</u>

Note 7 Long-term Debt – (cont’d)

Loan Facility - (cont’d)

For the three months ended June 30, 2010, \$123,981 of accretion and accrued interest of \$190,664 has been charged to statement of operations and credited to convertible debt. For the six months ended June 30, 2010, \$242,787 of accretion and accrued interest of \$307,967 has been charged to statement of operations and credited to convertible debt. The amount allocated to the equity components is \$785,541 and the resulting discount to the debt is being accreted over the remaining life until maturity using amortized cost method.

Note 8 Commitments and Contingencies

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

Note 9 Capital Management

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

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Components of Capital:		
Shareholders’ equity	\$ 27,703,047	\$ 30,528,250
Long-term debt	15,112,699	13,606,403
Less:		
Cash and cash equivalents	<u>(5,749,254)</u>	<u>(3,581,859)</u>
	<u>\$ 37,066,492</u>	<u>\$ 40,552,794</u>

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 subject to restrictions imposed by Synatom.

There have been no changes to the Company’s capital structure, objectives, policies and processes over the prior year.

Note 10 Financial Instruments

Fair Value of Financial Instruments

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

Note 10 Financial Instruments – (cont'd)

Fair Value of Financial Instruments – (cont'd)

As at June 30, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 5,749,254	\$ –	\$ –	\$ 5,749,254
Restricted cash	<u>558,050</u>	<u>–</u>	<u>–</u>	<u>558,050</u>
	<u>\$ 6,307,304</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 6,307,304</u>

The three levels are defined as follows:

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

Financial risk management

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

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

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 exchange risk

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

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

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

Note 10 Financial Instruments – (cont'd)

Financial risk management – (cont'd)

The Company is exposed to foreign currency risk in respect of trade payables of \$24,412 and debt obligations of \$22,970,378. At June 30, 2010 this balance was converted at rate of \$0.9542 CAD to \$1.00 USD.

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

As at June 30, 2010, with other variables unchanged, a \$0.01 strengthening (weakening) of the United States dollar against the Canadian dollar would increase (decrease) the Company's net loss by \$299,992.

(ii) Credit Risk

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

	<u>June 30,</u> <u>2010</u>	<u>December</u> <u>31, 2009</u>
Cash and cash equivalents	\$ 5,749,254	\$ 3,581,859
Receivables	<u>1,462</u>	<u>35,979</u>
	<u>\$ 5,750,716</u>	<u>\$ 3,617,838</u>

iii) Liquidity risk

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

	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>4 to 5 years</u>	<u>Thereafter</u>	<u>Total</u>
Lease obligations	\$ 808,381	\$ 819,602	\$ 239,340	\$ 12,000	\$ 1,879,323
Accounts payable and accrued liabilities	575,600	–	–	–	575,600
Purchase option	9,348,000	–	–	–	9,348,000
Agreements payable	290,000	870,000	330,000	60,000	1,550,000
Loan facility	6,881,973	6,658,659	–	–	13,540,632
Convertible debt	–	<u>9,429,746</u>	–	–	<u>9,429,746</u>
	<u>\$ 17,903,954</u>	<u>\$ 17,778,007</u>	<u>\$ 569,340</u>	<u>\$ 72,000</u>	<u>\$ 36,323,301</u>

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

Note 10 Financial Instruments – (cont'd)

Financial risk management – (cont'd)

iv) Interest rate risk

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

Note 11 Comparative Figures

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

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