BAYSWATER URANIUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bayswater Uranium Corporation

We have audited the accompanying consolidated financial statements of Bayswater Uranium Corporation which comprise the consolidated balance sheets as at February 28, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, 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.

Auditors' 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 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 auditors' 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 auditors consider 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, these consolidated financial statements present fairly, in all material respects, the financial position of Bayswater Uranium Corporation as at February 28, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Bayswater Uranium Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

June 24, 2011

BAYSWATER URANIUM CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT FEBRUARY 28

	2011	2010
ASSETS		
Current		
Cash	$ 953,893	$ 394,679
Short-term investments	-	1,949,000
Marketable securities (Note 3)	762,635	861,062
Receivables (Note 5)	1,158,845	135,719
Prepaids and deposits	39,890	76,200
	2,915,263	3,416,660
Marketable securities (Note 3)	720,000	-
Long-term receivable (Note 5)	-	221,633
Equipment (Note 4)	90,389	127,121
Reclamation bonds	17,785	17,785
Exploration advances	-	7,500
Deferred acquisition costs (Note 5)	-	826,306
Mineral properties (Note 5)	30,722,861	33,376,284
	$ 34,466,298	$ 37,993,289
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 12(c))	$ 2,194,405	$ 340,239
Shareholders' equity		
Capital stock (Note 6)	72,658,110	68,810,148
Contributed surplus (Note 6)	16,299,054	15,768,920
Deficit	(56,685,271)	(46,926,018)
	32,271,893	37,653,050
	$ 34,466,298	$ 37,993,289

Nature of operations and going concern (Note 1)
Commitments (Note 10)

On behalf of the Board:

"George Leary" Director "Victor Tanaka" Director

The accompanying notes are an integral part of these consolidated financial statements.

BAYSWATER URANIUM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED FEBRUARY 28

	2011	2010
EXPENSES		
Administration	$ 32,182	$ 21,540
Amortization	36,732	45,154
Consulting fees	116,721	229,986
Costs related to flow-through obligations	-	10,748
Directors' fees	43,500	45,000
Investor relations	30,513	47,022
Management fees	120,000	48,000
Office and miscellaneous	148,570	206,370
Professional fees	288,189	292,784
Property investigation costs	-	26,903
Rent	95,886	113,643
Shareholder communication	121,645	494,994
Stock-based compensation (Note 7)	532,484	418,736
Transfer agent and filing fees	21,870	31,886
Travel and related costs	20,801	109,865
Loss before other items and income taxes	(1,609,093)	(2,142,631)
OTHER ITEMS		
Foreign exchange gain (loss)	(11,265)	12,061
Interest and other income	80,114	67,067
Unrealized gain on marketable securities (Note 3)	1,260,609	175,653
Realized loss on sale of marketable securities (Note 3)	(1,082,027)	(1,895)
Interest expense (Note 5)	(99,679)	-
Write-down of long-term receivable	(172,980)	-
Write-down of mineral properties (Note 5)	(7,862,203)	(24,075,862)
Gain (loss) on sale of mineral properties (Note 5)	(262,729)	229,488
	(8,150,160)	(23,593,488)
Loss before income taxes	(9,759,253)	(25,736,119)
Future income tax recovery (Note 11)	-	2,705,000
Loss and comprehensive loss for the year	(9,759,253)	(23,031,119)
Deficit, beginning of year	(46,926,018)	(23,894,899)
Deficit, end of year	$ (56,685,271)	$ (46,926,018)
Basic and diluted loss per common share	$ (0.45)	$ (1.49)
Weighted average number of common shares outstanding	21,583,904	15,431,986

The accompanying notes are an integral part of these consolidated financial statements.

BAYSWATER URANIUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (9,759,253)	$ (23,031,119)
Items not affecting cash:		
Amortization	36,732	45,154
Stock-based compensation	532,484	418,736
Accretion of interest on long-term receivable	(11,347)	(5,674)
Unrealized gain on marketable securities	(1,260,609)	(175,653)
Realized loss on sale of marketable securities	1,082,027	1,895
Accrued interest expense	99,679	-
Write-down of long-term receivable	172,980	-
Write-down of mineral properties	7,862,203	24,075,862
(Gain) loss on sale of mineral properties	262,729	(229,488)
Future income tax recovery	-	(2,705,000)
Changes in non-cash working capital items:		
Decrease in receivables	14,024	221,187
Decrease in prepaids and deposits	36,310	247,867
Increase in accounts payable and accrued liabilities	214,578	88,641
Net cash used in operating activities	(717,463)	(1,047,592)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	1,949,000	2,686,753
Proceeds on sale of marketable securities	989,009	248,105
Equipment	-	(12,517)
Mineral property expenditures	(1,703,612)	(1,897,843)
Mineral property recoveries	911,891	357,705
Exploration advances recovered	7,500	95,726
Proceeds on sale of mineral properties	12,000	52,624
Investment in subsidiary, net of cash acquired	(1,231,713)	-
Deferred acquisition costs	-	(763,463)
(Purchase) recovery of reclamation bonds	-	306,709
Net cash provided by investing activities	934,075	1,073,799
CASH FLOWS FROM FINANCING ACTIVITY		
Capital stock issued	342,602	26,250
Net cash provided by financing activity	342,602	26,250
Increase in cash during the year	559,214	52,457
Cash, beginning of year	394,679	342,222
Cash, end of year	$ 953,893	$ 394,679

Supplemental disclosure with respect to cash flows (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Bayswater Uranium Corporation and its wholly-owned subsidiaries ("Bayswater" or the "Company") are engaged in the acquisition and exploration of their mineral properties and have not yet determined whether these properties contain economically recoverable reserves. To date, the Company has not earned significant revenues.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

The Company continues to be dependent upon its ability to finance its operations and exploration programs, and has not met certain funding obligations with respect to the Reno Creek Property (Note 6). The financing activities may include issuances of additional debt or equity securities or disposal of mineral property interests in order to re-invest the proceeds. The recoverability of the carrying value and maintenance of ownership interests on exploration projects, and ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the properties, future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from the estimates.

Significant accounts that require estimates relate to the possible impairment of equipment and mineral property interests, the useful life of equipment, future income taxes and related valuation allowances, valuation of marketable securities and short-term investments, valuation of stock-based compensation and warrants on private placements and the valuation of asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Results of operations of subsidiaries are included from the date of acquisition. Significant inter-company balances and transactions have been eliminated upon consolidation.

The operations of the Reno Creek property were consolidated using the proportionate consolidation method from the date of acquisition to December 1, 2010, the date the Company defaulted on its funding obligation and consequently relinquished control to the joint venture partner (Note 5).

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the transaction date. Exchange gains and losses arising on translation are included in the statement of operations.

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates, and income and expense items are translated at rates approximating those in effect at the transaction date. Translation gains and losses are reflected in loss for the year.

Financial instruments and comprehensive income

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale or other financial liabilities. All financial instruments and derivatives are measured at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement will depend on a financial instrument's initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in income. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is disposed of, impaired or its classification is changed.

The Company has classified its cash, short-term investments and marketable securities as held-for-trading. Receivables and long-term receivable are classified as loans and receivables, reclamation bonds are classified as held-to-maturity, and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

Disclosures are provided about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance (Note 12). The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability rather directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Short-term investments

Short-term investments include Canadian guaranteed investment certificates with a major Canadian banking institution that are readily convertible to cash with an original term of more than 90 days when acquired. These investments are carried at fair value.

Equipment

Equipment is recorded at cost, net of accumulated amortization. Amortization is calculated on an annual basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Exploration equipment	30% declining balance
Leasehold improvements	5 years straight-line

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties are based on cash paid and the value of share considerations and do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Government mining assistance

The Company carries on certain mineral exploration activities in Newfoundland and Labrador and is eligible to earn refundable credits based on qualifying expenditures. Payments received for mining exploration assistance are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits.

Asset retirement obligation

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

To date, the Company does not have any significant asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company uses the fair value-based method for all stock-based compensation, including options granted under the Company's incentive stock option plan and for compensatory rewards. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option and compensatory warrant and recognizes the fair value over the period of vesting. Any consideration paid by the option or warrant holders to purchase shares is credited to capital stock.

Income taxes

Income taxes are recorded for using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Future changes in accounting policies

International financial reporting standards

In February 2008, the Accounting Standards Board ("AcSB"), announced that 2011 is the changeover date for publicly listed companies to use International Financial Reporting Standards ("IFRS"), replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be March 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future changes in accounting policies (cont'd…)

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these sections must be adopted concurrently.

3. MARKETABLE SECURITIES

As at February 28, 2011, marketable securities consist of shares in publicly-traded companies with an initial cost of $1,295,504 (2010 - $1,934,540) and a fair value of $1,482,635 (2010 - $861,062). An unrealized gain on marketable securities of $1,260,609 (2010 – $175,653) was recorded in the results of operations for the year ended February 28, 2011.

Included in marketable securities as at February 28, 2011, are 2,000,000 common shares of Otis Gold Corp. which are subject to hold periods (Note 5). The hold period on 1,000,000 of these securities extends beyond February 28, 2012. Consequently, a balance of $720,000 has been classified as non-current.

4. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	$ 9,536	$ 8,434	$ 1,102	$ 11,970	$ 10,267	$ 1,703
Computer equipment	129,795	91,703	38,092	138,020	77,237	60,783
Exploration equipment	125,607	74,412	51,195	120,914	56,845	64,069
Leasehold improvements	-	-	-	10,191	9,625	566
	$ 264,938	$ 174,549	$ 90,389	$ 281,095	$ 153,974	$ 127,121

5. MINERAL PROPERTIES

Year Ended February 28, 2011	CMB Labrador Claims	Thelon Basin Projects	Collins Bay Property, Saskatchewan	Niger, West Africa	USA Properties	Ireland Properties	Reno Creek Project	Total
Acquisition costs								
Balance, beginning of year	$ 1,598,714	$ 828,313	$ 1,875,465	$ 125,074	$ 5,234,580	$ 600,000	$ -	$10,262,146
Additions	21,935	-	-	-	-	-	6,950,778	6,972,713
Recoveries	(2,250)	-	(25,416)	-	(1,067,073)	-	-	(1,094,739)
Written-off during the year	-	(828,312)	-	(125,074)	(425,802)	(599,999)	-	(1,979,187)
Disposed of during the year	-	-	-	-	(249,407)	-	-	(249,407)
Balance, end of year	1,618,399	1	1,850,049	-	3,492,298	1	6,950,778	13,911,526
Deferred exploration costs								
Balance, beginning of year	8,903,252	3,959,493	2,046,937	131,801	7,065,133	1,007,522	-	23,114,138
Analytical	690	-	-	-	11,111	-	-	11,801
Compilation	6,000	450	-	-	17,816	-	36,450	60,716
Drilling	-	-	-	-	20,087	-	99,484	119,571
Environmental	-	-	-	-	-	-	181,859	181,859
Exploration advances	-	-	-	-	-	-	366,421	366,421
Field administration	14,981	-	-	-	14,410	-	90,489	119,880
Geological consulting	92,500	-	-	-	108,443	73,711	214,666	489,320
Property cost recoveries	(138,117)	-	-	-	(2,119,135)	-	-	(2,257,252)
Property maintenance	12,800	3,435	-	-	263,021	-	224,970	504,226
Travel and related	1,988	-	-	-	1,733	-	5,272	8,993
	(9,158)	3,885	-	-	(1,682,514)	73,711	1,219,611	(394,465)
Disposed of during the year	-	-	-	-	(25,322)	-	-	(25,322)
Written-off during the year	-	(3,963,378)	-	(131,801)	(706,604)	(1,081,233)	-	(5,883,016)
Balance, end of year	8,894,094	-	2,046,937	-	4,650,693	-	1,219,611	16,811,335
Total, end of year	$ 10,512,493	$ 1	$ 3,896,986	$ -	$ 8,142,991	$ 1	$ 8,170,389	$30,722,861

5. MINERAL PROPERTIES (cont'd…)

Year Ended February 28, 2010	CMB Labrador Claims	Thelon Basin Projects	Athabasca Basin, Saskatchewan	Collins Bay Property, Saskatchewan	Mali and Niger, West Africa	USA Properties	Ireland Properties	Italy Properties	Total
Acquisition costs									
Balance, beginning of year	$ 1,595,714	$ 2,735,054	$ 618,640	$ 3,803,210	$ 125,075	$ 5,485,207	$ 600,000	$ 194,744	$15,157,644
Additions	3,000	-	-	-	-	10,877	-	-	13,877
Recoveries	-	-	-	(16,500)	-	(261,504)	-	-	(278,004)
Written-off during the year		(1,906,741)	(618,640)	(1,911,245)					(4,436,626)
Disposed of during the year	-	-	-	-	(1)	-	-	(194,744)	(194,745)
Balance, end of year	1,598,714	828,313	-	1,875,465	125,074	5,234,580	600,000	-	10,262,146
Deferred exploration costs									
Balance, beginning of year	17,215,113	9,019,414	3,470,988	4,077,021	121,609	6,169,568	996,218	289,366	41,359,297
Analytical	51,672	-	-	-	-	-	-	-	51,672
Camp costs	28,934	-	-	-	-	-	-	-	28,934
Community relations	1,480	365	-	-	-	-	-	-	1,845
Compilation	9,415	320	-	3,070	-	5,539	-	-	18,344
Environmental	-	-	-	-	-	123,680	-	-	123,680
Equipment	23,955	140	-	-	-	-	-	-	24,095
Field administration	18,510	1,406	-	310	-	-	3,268	-	23,494
Field supplies	2,754	-	-	-	-	-	-	-	2,754
Fixed wing/helicopter	97,863	-	-	-	-	-	-	-	97,863
Geological consulting	324,738	145,645	37,500	48,048	10,192	215,242	8,036	-	789,401
Property cost recoveries	-	(93,944)	-	-	-	-	-	-	(93,944)
Property maintenance	2,039	9,819	-	415	-	537,597	-	-	549,870
Travel and related	30,030	13,346	4,489	4,063	-	13,507	-	-	65,435
	591,390	77,097	41,989	55,906	10,192	895,565	11,304	-	1,683,443
Disposed of during the year	-	-	-	-	-	-	-	(289,366)	(289,366)
Written-off during the year	(8,903,251)	(5,137,018)	(3,512,977)	(2,085,990)	-	-	-	-	(19,639,236)
Balance, end of year	8,903,252	3,959,493	-	2,046,937	131,801	7,065,133	1,007,522	-	23,114,138
Total, end of year	$ 10,501,966	$ 4,787,806	$ -	$ 3,922,402	$ 256,875	$ 12,299,713	$ 1,607,522	$ -	$33,376,284

5. MINERAL PROPERTIES (cont'd…)

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Uranium properties

Investment in Reno Creek Property

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the "Agreement") with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp., and American Uranium Corp. ("American"), for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property" or the "Property").

As at February 28, 2010, the Company had incurred deferred acquisition costs relating to this transaction totalling $826,306. This total included US $500,000 (CDN$535,345) of non-refundable deposits paid to Strathmore which were credited to the purchase price when the transaction closed during the year ended February 28, 2011.

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC, a limited liability company, in consideration for the aggregate payment of US$20,000,000 (CDN$20,026,000) to Strathmore, of which US$17,500,000 was paid in cash and US$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company valued at $2,502,150. In consideration for a historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US$1,000,000 and issued 1,833,455 common shares of the Company valued at US$1,000,000 (CDN$1,000,860).

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US$20,000,000 investment into 7514565 Canada Inc. ("Newco") which holds the Property through certain wholly-owned subsidiaries. PRRF initially held a 76.92% interest in Newco and the Company initially held a 23.08% interest in Newco. The Company's cost of its 23.08% interest totaled $8,250,678, which included an establishment fee of US$700,000, (originally payable on or before December 1, 2010, and subsequently amended to be paid upon, or prior to, the next capital contribution to Newco by the Company, and bearing interest at the rate of prime plus 15% per annum) and a finder's fee of US$1,000,000, both payable in conjunction with this investment agreement. The Company and PRRF entered into a shareholders' agreement in respect of Newco which permitted the Company to contribute additional amounts to Newco in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in Newco into common shares of the Company at any time up to six months following the latter of completion of a feasibility study and mine permitting but, in any event, PRRF shall convert its investment not later than five years from April 7, 2010, provided certain conditions are met. Upon conversion of PRRF's investment, the Company would own a 100% interest in Newco which holds the Reno Creek Property. The shareholders' agreement also provides for equal representation on the board of Newco, subject to adjustment, as well as unanimous Newco shareholder approval for certain key decisions including annual work program and budgets for the Property.

The Company was to contribute additional amounts in stages totaling US$14,000,000 to earn a 50% interest in Newco and in order to complete a feasibility study and to secure mining permits.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Investment in Reno Creek Property (cont'd…)

Pursuant to the investment agreement and shareholders agreement dated April 7, 2010 (the "Agreements") involving PRRF, the Company was obliged to fund Newco, which holds the Reno Creek Uranium Project, with US$7,000,000 and pay certain fees to PRRF on or before December 1, 2010. Such funding and payment of fees did not occur. On January 5, 2011, PRRF and the Company entered into an amending agreement in respect of the Agreements whereby PRRF funded the first quarter of the 2011 Newco budget in the amount of US$1,750,000 and, as a result, the interest held by the Company in Newco was reduced to 21.29% from 23.08% with a maximum interest the Company could earn in Newco having been reduced from 50.0% to 45.13%. The remaining balance of the 2011 Newco budget, being US$5,250,000 plus certain fees (and accrued interest thereon), was due before March 1, 2011. The Company was unable to secure such funding before March 1, 2011. As a result, PRRF funded the balance of $5,250,000 and, as of March 1, 2011, the interest held by Bayswater in Newco was reduced to 17.27% from 21.29% with a maximum interest the Company may now earn in Newco having been reduced from 45.13% to 31.14%. The Company may increase its interest in Newco to the maximum level of 31.14% by contributing US$7.0 million to Newco and by paying certain fees and interest charges to PRRF on or before the time of the setting of the next Reno Creek budget, currently anticipated to be December 1, 2011. Upon PRRF converting its investment in Newco into common shares of the Company, as outlined above, the Company would own a 100% interest in Newco and, thus, the Reno Creek Property.

Future obligations associated with the Reno Creek Property consist of payments pursuant to maintaining mineral claims and various underlying mineral lease, surface access and property option agreements. The Company's 21.29% share of these future payments total US$239,085.

Central Mineral Belt ("CMB") Properties, Labrador

On November 17, 2005, the Company entered into an option agreement with Longview Capital Partners Inc. (formerly Longview Strategies Incorporated) ("Longview"), a company related by a former director in common, to acquire a 100% interest in certain claim blocks located in Labrador, Newfoundland. Under the terms of the agreement, the Company paid Longview $560,000 and issued 168,120 common shares valued at $872,000. A net smelter royalty ("NSR") of 2% will be payable to an underlying option holder on each of the claim blocks retained. The Company has the right to purchase one-half of the NSR (1%) at any time for $1,500,000. By agreement dated November 22, 2005, Longview assigned all its staking rights with the underlying option holder to the Company.

On November 29, 2005, the Company entered into an agreement with the underlying option holder to stake additional claim blocks at a cost of $61,440. In consideration, the Company paid the underlying option holder a staking fee of 5,000 common shares valued at $15,000. A NSR of 2% will be payable on each of the claim blocks. The Company has the right to purchase one-half of the NSR (1%) at any time for $1,500,000.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Central Mineral Belt ("CMB") Properties, Labrador (cont'd…)

On January 3, 2006, the Company entered into an agreement with the underlying option holder to stake additional claim blocks at a cost of $599,040. In consideration, the Company paid the underlying option holder a staking fee of $10,000 in cash and 18,000 common shares valued at $86,400. A NSR of 1% will be payable on each of the claim blocks. The Company has the right to purchase all of the NSR (1%) at any time for $2,000,000.

The Company acquired by staking, during the year ended February 28, 2007, additional claims in Labrador. In consideration, the Company paid a staking fee of $19,400 in addition to staking costs of $144,800. An NSR of 1% will be payable on these claims. The Company retains the right to purchase the NSR (1%) at any time for $2,000,000.

The Company purchased, during the year ended February 28, 2007, additional claims in Labrador for cash consideration of $5,600. An NSR of 2% will be payable on these claims. The Company has the right to purchase one-half of the NSR (1%) at any time for $1,500,000.

The Company has acquired, during the year ended February 28, 2007, a 100% interest, by staking, in additional claims in Labrador, subject to a 1% or 2% NSR for a staking fee of $3,000. The Company has the right to purchase, respectively, all or one-half of the NSR (1%) at any time for $1,000,000.

The Company has acquired, during the years ended February 29, 2008 and February 28, 2007, a 100% interest, by staking, in additional claims in Labrador.

During the year ended February 29, 2008, the Company entered into an option/joint venture agreement with Ucore Uranium Inc. ("Ucore"), whereby the Company and Ucore pooled certain claims and option rights on additional claims held by Ucore in Labrador. Pursuant to the terms of the agreement, the Company and Ucore each have the option to acquire a 50% interest in the pooled claims and option rights by incurring exploration expenditures totaling $400,000 (completed).

During the year ended February 28, 2010, the Company wrote down the CMB Properties in the amount of $8,903,251 due to market conditions and continues to maintain its key landholdings in Labrador.

Thelon Basin Projects

These properties include the Canada Uranium Joint Venture and the Company's other property holdings in the Thelon Basin:

Thelon Basin Properties, Northwest Territories ("NWT") and Nunavut ("NU")

The Company entered into an agreement, dated April 13, 2006, with Yukon 37999 Inc. to acquire a 100% interest in certain uranium claims in the South Thelon area of the NWT. As consideration, the Company paid cash of $102,903 and issued 10,886 common shares valued at $95,432. A NSR of 2% on metals and a gross overriding royalty ("GOR") of 2% on diamonds will be payable on each of the claims. The Company retains the right to purchase one-half of the royalties (1.0%) at any time for $2,000,000.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Thelon Basin Properties, Northwest Territories ("NWT") and Nunavut ("NU") (cont'd…)

During the year ended February 28, 2007, the Company entered into agreements with Aurora Geosciences Ltd. ("Aurora") to stake a minimum of 1,100,000 acres in Thelon Basin, NWT and NU. Under the terms of the agreements, consideration for staking was $0.60 per acre and one-third of a common share of the Company per acre, for claims located on land and $0.40 per acre and one-quarter of a common share of the Company per acre for claims located over water. During the year ended February 28, 2007, a total of $1,056,356 was paid by the Company for staking costs and 52,030 common shares were issued to Aurora. In addition, during the year ended February 29, 2008, a total of $333,368 was paid for staking costs and 18,387 common shares were issued to Aurora.

Pursuant to a Memorandum of Understanding ("MOU") dated April 11, 2005, the Company was granted an option to acquire an 80% interest in uranium rights in certain exploration permits acquired by Diamonds North Resources Ltd. ("Diamonds North"), and now held by Uranium North Resources Corp. ("Uranium North"), located within and around the Thelon Basin, Northwest Territories, in consideration of making a cash payment of $100,000 (paid) and issuing a total of 200,000 common shares. The Company issued 29,400 shares during the year ended February 29, 2008. The Company must also incur staged optional exploration expenditures on the property totaling $4,000,000, of which $400,000 must be expended by April 11, 2006 (completed), a further $1,600,000 by April 11, 2007 (completed) and a further $2,000,000 by April 11, 2008. The Company and Uranium North agreed to suspend the remaining required exploration expenditures due to permitting restrictions. During the year ended February 28, 2011, the Company relinquished its option to acquire an 80% interest in the exploration permits. All related costs were already written off during the year ended February 28, 2010.

During the year ended February 29, 2008, the Company granted an option to Stornoway Diamond Corp. ("Stornoway"), whereby Stornoway may earn a 60% interest in certain diamond rights at Itza Lake, Nunavut by issuing to the Company common shares of Stornoway with a value of $75,000 (received) and by incurring $4,000,000 in exploration expenditures over five years (with a minimum of $500,000 to be incurred prior to September 1, 2008 (subsequently amended to September 1, 2011)).

During the year ended February 28, 2010, the Company wrote-off the South Thelon Properties in the amount of $7,043,759 due to permitting constraints as well as market conditions.

During the year ended February 28, 2011, the Company wrote-off the remainder of the Thelon Properties in the amount of $3,963,378 due to market conditions.

Canada Uranium Joint Venture

On January 23, 2006, the Company entered into a joint venture agreement with Strongbow Exploration Inc. ("Strongbow") to identify, acquire and explore uranium properties in Canada. The Company will be the operator of the joint venture and, over the first five years of the agreement, shall contribute funding of up to $500,000 for the acquisition of prospective Canadian uranium properties identified by Strongbow. Strongbow and the Company shall each retain a 50% working interest in each acquired property, subject to the right of Strongbow to select up to three joint venture properties ("Earn-In Properties") for which the Company must fund the first $600,000 in exploration expenditures on each such property. Under the terms of the joint venture arrangement, Strongbow must offer all Canadian uranium opportunities that it identifies to the Company for inclusion in the joint venture. The Company maintains the right to identify and acquire Canadian uranium prospects outside of the joint venture, with no obligation to offer such projects to Strongbow unless such prospect is located in any of the Yukon, Nunavut, or Northwest Territories.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Canada Uranium Joint Venture (cont'd…)

Pursuant to the joint venture, the Company entered into an agreement dated April 13, 2006 with Yukon 37999 Inc. ("Yukon") to acquire a 100% interest in certain uranium claims in the South Thelon Basin area of the NWT for cash consideration totaling $105,706. A 1% NSR on metals and a 1% GOR on diamonds will be payable on each of the claim blocks. The joint venture retains the right to purchase one-half of the royalties (0.5%) at any time for $1,000,000. Strongbow has elected to include these claims as an Earn-In Property.

Pursuant to the joint venture, certain prospecting permits have been granted to Strongbow, now partially replaced by staked claims, in the North Thelon Basin, Nunavut. Strongbow has elected to include these permits and certain staked claims as an Earn-In Property under the Joint Venture.

Brudell Lake Properties, Athabasca Basin, Saskatchewan

The Company entered into a purchase agreement dated July 19, 2006 as amended September 28, 2006 between the Company and the Saskatchewan Syndicate (the "Vendor") whereby the Company acquired a 100% interest in certain mineral claims in three claim blocks referred to as the Brudell Lake Property, Worden Lake Property and the William River Property located in the Athabasca Basin, Saskatchewan. As consideration, the Company issued 350,000 common shares valued at $3,710,000 and paid $1,500,000 cash. The properties are also subject to a 2% NSR on all metals produced and 2% GOR on all diamonds produced. During the year ended February 28, 2007, the Company also paid a finder's fee of 10,000 common shares to a private individual for his assistance in introducing this property to the Company.

During the year ended February 28, 2007, the Company acquired, by staking, additional claims adjacent to the Brudell Lake properties at a cost of $183,024.

During the year ended February 28, 2009, the Company allowed certain of its mineral claims to lapse and, as a result, related costs of $5,553,108 were written off to operations. As at February 28, 2010, the Company has, or will, allow all claims to lapse. As a result, the Company wrote-off the Brudell Lake Properties in the amount of $4,131,617.

Baca Property, New Mexico, United States

During the year ended February 29, 2008, the Company acquired an option (subsequently amended) to earn a 100% interest in claims comprising the Baca Property in New Mexico by paying US $520,000 (US $120,000 paid) and issuing 130,000 common shares (30,000 shares issued) over a period ending on July 31, 2014. A 4% NSR on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for $2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US $50,000 are to be paid annually and will be credited against future production royalties.

During the year ended February 29, 2008, the Company acquired a 100% interest by staking additional claims in the region of the Baca Property.

During the year ended February 28, 2010, the Company entered into a quitclaim deed indenture with Running Fox Resource Corp. in order to exchange and assign certain mineral claims, at no cost, in connection with its New Mexico uranium acreage in the region of the Baca property. Most of the swapped claims were either adjoining or overlapping each company's respective landholdings.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Baca Property, New Mexico, United States (cont'd…)

During the year ended February 28, 2011, the Company abandoned the Baca property and, as a result, related costs of $1,132,406 were written off to operations.

Montana, Wyoming, California and Nevada Uranium Properties, United States

During the year ended February 29, 2008, pursuant to an amalgamation, the Company acquired the following:

a) a 100% interest in several uranium properties located in the states of Montana, Wyoming, California and Nevada, USA. During the year ended February 28, 2011, the Company sold certain claims located in California and, as a result, recorded a loss on sale of mineral properties totaling $262,729.

b) a 100% interest in two uranium state leases in Wyoming, and entered into a surface and mineral lease agreement on lands in Carter County, Montana (the "Schlosser Lease"). Under the surface and mineral lease agreement, the Company is responsible for payment of production royalties at rates of between 1% and 3% based on gross value of mineral materials sold and for making certain minimum annual royalties payable in advance. Annual advance minimum royalty payments made by the Company shall be applied as a credit against production royalties. The first annual advance minimum royalty payment, being $10,000, was due and paid on November 1, 2005, and increases on each anniversary date thereafter to a maximum of US$100,000 by the 14th anniversary date. The annual minimum royalty payment will also increase upon commercial production of mineral materials from the lease. The primary term of the lease is for twenty years, and with a consecutive secondary term thereafter that begins on the twentieth (20th) anniversary, unless terminated sooner.

c) a 100% interest in additional claims staked in Nevada and acquired a 100% interest in certain uranium state leases in Wyoming.

d) pursuant to a data base purchase agreement, the Company agreed to pay an NSR of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US$100,000 in the event a uranium mine is constructed in the same region.

e) a 100% interest in additional staked claims in Montana and Wyoming; and entered into a surface and mineral lease agreement on land in Carter County, Montana (the "Cochrane Lease"). Under the surface and mineral lease agreement, the Company is responsible for an upfront payment of US$25,000, and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US$3 per acre during the primary term, increasing to US$6 per acre on the tenth (10th) anniversary date. The primary term of the lease is for ten years, and with a consecutive secondary term thereafter that begins on the tenth (10th) anniversary date, unless sooner terminated.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Montana, Wyoming, California and Nevada Uranium Properties, United States (cont'd…)

f) a database on the Mountain West Property in Elko county, Nevada. The database was acquired for an initial cash payment of US$50,000, with a further cash payment of US$100,000 to be made when the Company receives a Nevada mine permit. The acquisition agreement also includes the grant of a right of first offer to UG USA, Inc., under which the Company has entered into an agreement for the sale of uranium concentrates to UG USA, Inc. The right of first offer applies to the first one million pounds of uranium concentrate production from the Mountain West Property, at a 1% discount to the prevailing spot price of uranium. In addition, during the year ended February 28, 2009, the Company acquired a 100% interest in certain unpatented mineral claims adjacent to the Mountain West Property by issuing 20,000 common shares.

Saskatchewan, Canada; Nevada, Wyoming and South Dakota, USA and Mali and Niger, West Africa Uranium Properties

During the year ended February 29, 2008, pursuant to an amalgamation, the Company acquired the following:

a) **Saskatchewan and Nevada Properties:** On June 15, 2005, the Company entered into an option agreement with Bullion Fund Inc. ("Bullion"), pursuant to which it acquired an undivided 90% interest in certain mineral claim blocks in northern Saskatchewan (the "Collins Bay Extension"). Under the terms of the option agreement, Bullion retained an undivided 10% carried interest in all the claims.

During the year ended February 29, 2008, the Company purchased the 10% interest held by Bullion in the claims subject to the initial purchase agreement by paying $125,000 cash and $225,000 through the issuance of 36,946 common shares.

During the year ended February 28, 2010, the Company entered into an agreement with CanAlaska Uranium Ltd. ("CanAlaska"), whereby CanAlaska has an option to earn a 51% interest in the Collins Bay Extension property in the Athabasca Basin by spending $4,000,000 in exploration over five years and by issuing 50,000 shares (10,000 received to date) to the Company. CanAlaska also has an option to increase its interest to 70% by spending an additional $2,000,000 in exploration over a further three year period and by issuing an additional 80,000 shares to the Company.

During the year ended February 28, 2010, the Company wrote down the Collins Bay Extension Properties in the amount of $3,997,235 due to market conditions.

5. MINERAL PROPERTIES (cont'd…)

Uranium properties (cont'd…)

Saskatchewan, Canada; Nevada, Wyoming and South Dakota, USA and Mali and Niger, West Africa Uranium Properties (cont'd…)

b) **Wyoming and South Dakota Properties:** By agreement, effective March 14, 2006, with Miller-Berdahl Partnership ("Miller-Berdahl") the Company has an option over a three year period to acquire a 100% interest, subject to certain production royalties, in state of Wyoming leases, mineral claims and one surface right agreement in four project areas in Wyoming and in one project area located in South Dakota and Wyoming. The surface right agreement, entered into between Stockade Beaver Creek Ltd., a company owned by Miller-Berdahl, and D. Spencer and P. Spencer and assigned to the Company as per terms of the Miller-Berdahl option agreement, provides the Company access and mining rights for the consideration of a 2% NSR production royalty and annual access payments in the amount of $3.00 per acre. Under the terms of the Miller-Berdahl option agreement, the Company made cash payments totalling US$750,000 and issued 32,500 common shares in order to exercise the option.

Also, the Company has three surface rights agreements (providing also rights to mineral interests to the extent owned by the vendor) for access and mining rights in the Elkhorn project area.

During the year ended February 28, 2009, the Company sold its interest in certain claims and state leases in eastern Wyoming and in South Dakota to Powertech Uranium Corp., by agreement dated December 10, 2008, for consideration totaling US$50,000 and retained yellowcake royalties ranging between 1% and 5%.

During the year ended February 28, 2010, the Company entered into an agreement, subsequently amended, to acquire a 75% interest in the Hauber Uranium Project in Crook County, Wyoming. To earn its 75% interest, the Company must incur exploration expenditures totalling US$1,000,000 by March 31, 2015.

c) **Mali Properties:** The Company owned a Mali subsidiary, Northern Canadian Minerals Inc. Mali ("NCA Mali") for the purpose of applying for and holding mineral rights in Mali.

During the year ended February 28, 2010, the Company sold to Cascade Resources Ltd. ("Cascade"), a TSX listed company, 100% of its interest in exploration and mining rights and permits in Mali for the consideration of 1,000,000 shares valued at $75,000 (received), a $250,000 promissory note (with an initial fair value of $215,959) (amended and replaced by 1,000,000 common shares of Cascade with a value of $60,000, which were received subsequent to February 28, 2011) and a 2.5% NSR on future production.

5. MINERAL PROPERTIES (cont'd…)

Saskatchewan, Canada; Nevada, Wyoming and South Dakota, USA and Mali and Niger, West Africa Uranium Properties (cont'd…)

d) **Niger Properties:** During the year ended February 29, 2008, the Company applied for 12 uranium concessions in two blocks (subsequently reduced to four concessions in one block, pursuant to policy changes made by the Government of Niger) in north central Niger, West Africa. Granting of one block of four concessions is pending.

Niger Concessions

The Company entered into an option agreement dated November 17, 2005 with Longview to acquire a 100% interest in two uranium and two gold concessions located in Niger, West Africa.

During the year ended February 28, 2011, and subject to regulatory approval, the Company entered into an agreement with Cascade to sell all of its interests in its Niger properties for consideration comprised of 2,000,000 common shares of Cascade plus a 2.5% NSR on future production. Subsequently, Cascade declined to close the transaction and, as a result, the Company dropped its interest in all Niger concessions and related costs of $256,875 were written off to operations.

Gold and base metal properties

Kilgore Gold and Other Gold Properties, Idaho, United States

The Kilgore Gold, Hai and Gold Bug Properties (the "Properties") are located in Idaho and consist of certain mineral claims owned 100% by the Company.

During the year ended February 28, 2009, the Company entered into an option/joint venture agreement with Otis Gold Corp. (formerly Otis Capital Corp.) ("Otis") whereby Otis could earn up to a 75% interest in the Properties by paying US $200,000 (received), issuing 3,000,000 common shares (received 1,300,000 common shares valued at $500,000) and incurring exploration expenditures totaling $3,000,000 over a five year period. A 2% NSR would be paid to the Company on production of gold from the Property. At any time, Otis would have the right to purchase each one-fourth of the NSR for the sum of $500,000, up to a maximum of three-fourths (3/4), following which the Company would hold a 0.5% NSR.

During the year ended February 28, 2011, the Company entered into a Purchase Agreement, which replaces the option/joint venture agreement, to sell a 100% interest in the Properties to Otis. The Purchase Agreement requires Otis to pay an additional US $1,750,000 and issue 2,000,000 common shares. The cash will be paid over a one year period from the date of closing (US $750,000 within forty five days (received); US$750,000 within four months (received subsequent to February 28, 2011); and US $250,000 within twelve months). As at February 28, 2011, $977,150 has been recorded as receivables on the balance sheet. Otis issued the 2,000,000 common shares at closing (Note 3). The shares are subject to hold periods (500,000 for six months; 500,000 for twelve months; 500,000 for eighteen months; and 500,000 for twenty four months).

Tuscany Gold Project, Italy

The Company held an Italian subsidiary, Tuscany Minerals S.r.l. ("Tuscany"), to facilitate the application process and holding of exploration and mining permits in Italy. The Company was granted six gold permits in Italy.

During the year ended February 28, 2010, the Company completed the sale of Tuscany to Coltstar Ventures Inc. ("Coltstar") for $250,000 cash and 1,000,000 common shares of Coltstar valued at $250,000. As at the date of sale, the carrying value of the investment in Tuscany was $561,470.

5. MINERAL PROPERTIES (cont'd…)

Gold and base metal properties (cont'd…)

Avoca Property, Ireland

The Company, through Jadebay Limited ("Jadebay"), a 100% owned Irish subsidiary, maintains a 100% interest in two prospecting licences in the Republic of Ireland. To maintain the licenses, the Company must incur exploration expenditures of €37,500 (approximately CDN $50,400) per license, annually.

During the year ended February 28, 2011, the Company's licenses were renewed for an additional two-year period ending June 10, 2012. However, due to delays in development, the Company wrote-down the property by $1,681,233 to $1 during the year ended February 28, 2011.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Unlimited Class A convertible preferred shares without par value			
Issued			
Balance, February 28, 2009	15,410,123	$ 68,779,241	$ 15,354,841
Exercise of warrants	26,250	26,250	-
Reclassification of contributed surplus on the exercise of warrants	-	4,657	(4,657)
Stock-based compensation	-	-	418,736
Balance, February 28, 2010	15,436,373	68,810,148	15,768,920
Shares issued for Reno Creek property (Note 5)	6,256,262	3,503,010	-
Private placements	608,663	334,765	-
Exercise of stock options	14,250	7,837	-
Reclassification of contributed surplus on the exercise of stock options	-	2,350	(2,350)
Stock-based compensation	-	-	532,484
Balance, February 28, 2011	22,315,548	$ 72,658,110	$ 16,299,054

Share consolidation

During the year ended February 28, 2010, the Company consolidated its share capital on the basis of 10 old shares for one new share. All common share, per share, option, warrant and weighted average price amounts were restated to reflect this consolidation.

Private placements

During the year ended February 28, 2011, the Company completed private placements consisting of 608,663 units at a price of $0.55 per unit for gross proceeds of $334,765. Each unit consisted of one common share and one-half of one share purchase warrant. Of the 304,332 whole warrants, 233,182 are exercisable at $0.75 per share until April 6, 2012 and 71,150 are exercisable at $0.75 per share until April 14, 2012.

7. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan where the directors are authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 10 years.

As at February 28, 2011, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
41,375	$ 4.50	June 10, 2013
2,085,750	0.55	April 29, 2017
2,200,000	1.00	February 3, 2018
4,327,125		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2009	1,389,329	$ 4.50
Options cancelled/expired	(57,250)	4.50
Balance, February 28, 2010	1,332,079	4.50
Options granted	4,300,000	0.78
Options exercised	(14,250)	0.55
Options cancelled/expired	(1,290,704)	4.50
Balance, February 28, 2011	4,327,125	$ 0.82
Number of options currently exercisable	1,602,125	$ 0.62

7. STOCK OPTIONS AND WARRANTS (cont'd…)

Warrants

As at February 28, 2011, the Company had outstanding share purchase warrants and broker warrants enabling the holders to acquire common shares as follows:

Number of Shares		Exercise Price	Expiry Date
233,182	$	0.75	April 6, 2012
71,150		0.75	April 14, 2012
304,332			

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
As at February 28, 2009	427,500	$	1.88
Exercised	(26,250)		1.00
As at February 28, 2010	401,250		1.93
Issued	304,332		0.75
Expired	(401,250)		1.93
As at February 28, 2011	304,332	$	0.75

Stock-based compensation

For the year ended February 28, 2011, the Company recorded $532,484 (2010 - $418,736) as stock-based compensation expense pursuant to the vesting of 1,575,000 stock options, with an offset to contributed surplus for options that vested during the year.

The weighted average fair value of the stock options granted during the year ended February 28, 2011 was $0.43 (2010 - $Nil) per option.

7. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock-based compensation (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation options granted during the years ended February 28, 2011 and 2010:

	2011	2010
Risk-free interest rate:	2.21%	-
Expected life of options:	3 years	-
Annualized volatility:	101.51%	-
Dividend rate:	0%	-

8. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2011, the Company:

a) Paid or accrued $120,000 (2010 - $48,000) for management fees to a company controlled by the president of the Company and to a director.

b) Paid or accrued $43,500 (2010 - $45,000) for directors' fees to directors of the Company.

c) Paid or accrued $12,000 (2010 - $12,000) for rent to a company controlled by the president of the Company.

d) Paid or accrued $15,000 (2010 - $15,000) for administration fees to a company owned by an officer of the Company.

e) Paid or accrued $120,000 (2010 - $192,000) for geological consulting fees included in deferred exploration costs to a director and a company controlled by the president of the Company.

Included in accounts payable and accrued liabilities at February 28, 2011 is $289,014 (2010 - $83,937) owing to a company controlled by the president of the Company, to a company with a director in common and to directors, all related to the above transactions.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2011	2010
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

The significant non-cash investing and financing transactions during the year ended February 28, 2011 included:

a) issuing 6,256,262 common shares valued at $3,503,010 pursuant to the acquisition of the Reno Creek Property (Note 5);

b) receiving marketable securities valued at $152,000 pursuant to a mineral property option agreement;

c) receiving marketable securities valued at $1,280,000 pursuant to the sale of a mineral property;

d) accruing $977,150 of mineral property sales proceeds in receivables as at February 28, 2011; and

e) accruing $207,484 of mineral property expenditures and $1,483,602 of acquisition costs related to the acquisition of the Reno Creek Property in accounts payable and accrued liabilities as at February 28, 2010.

The significant non-cash investing and financing transactions during the year ended February 28, 2010 included:

a) receiving 1,000,000 common shares of a publicly listed company valued at $250,000 pursuant to the sale of Tuscany (Note 5);

b) receiving common shares valued at $164,500 pursuant to mineral property option agreements;

c) receiving 1,000,000 common shares valued at $75,000 and a promissory note receivable with a fair value of $215,959 pursuant to the sale of NCA Mali (Note 5); and

d) accruing $25,413 of mineral property expenditures and $62,843 of deferred acquisition costs in accounts payable and accrued liabilities as at February 28, 2010.

10. COMMITMENTS

During the year ended February 28, 2011, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts were effective from April 1, 2010 to March 31, 2012 and remuneration is $10,000 per month. If the Company terminates either agreement, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times the reduced monthly management fee.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2011	2010
Loss before income taxes	$ (9,759,253)	$(25,736,119)
Expected income tax recovery	$ (2,749,000)	$ (7,656,000)
Non-deductible items	2,842,000	7,007,000
Recognized benefit of non-capital losses	(93,000)	(2,056,000)
Future income tax recovery expense	$ -	$ (2,705,000)

The significant components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carryforwards	$ 3,272,000	$ 3,171,000
Other items	119,000	600,000
Future income tax liabilities:		
Resource properties and investments	1,967,000	(160,000)
	5,358,000	3,611,000
Valuation allowance	(5,538,000)	(3,611,000)
Net future income tax liability	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $12,300,000. These losses, if not utilized, will expire through to 2031. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

12. FINANCIAL INSTRUMENTS AND RISK

The Company’s financial instruments consist of cash, short-term investments, receivables, marketable securities, long-term receivables, reclamation bonds and accounts payable and accrued liabilities. Cash and marketable securities are carried at fair market value using a level 1 fair value measurement. The fair value of receivables and accounts payable and accruals approximates their carrying value due to their short-term nature. Long-term receivables and reclamation bonds are carried at amortized cost. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

12. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, interest rate risk and market risk.

(a) Currency Risk
The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US$
Cash	745,363
Receivables	1,003,078
Reclamation bonds	16,000
Accounts payable and accrued liabilities	(1,475,175)
Net exposure	289,266

Based on the above net exposure as at February 28, 2011, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

(b) Credit Risk
The Company's cash and short-term investments are mainly held through large Canadian financial institutions and at February 28, 2011 mostly consist of cash held in interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly HST recoverable from the Canadian government, amounts due from the sale of the Company's subsidiary, Tuscany and from the sale of a mineral property. The long-term receivable was an amount due from the sale of exploration and mining rights and permits in Mali (Note 5), and was unsecured.

(c) Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has working capital as at February 28, 2011 of $720,858. Included in accounts payable and accrued liabilities are finder's and establishment fees totaling $1,426,639 (US$1,460,000) associated with the acquisition of the Reno Creek Property. (Notes 5 and 14). The Company does not currently have the working capital required to satisfy these obligations. The Company manages liquidity risk through the management of its capital resources as outlined in Note 14.

12. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

(d) Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held mainly in interest bearing accounts and therefore there is currently minimal interest rate risk.

(e) Market Risk

Commodity Price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of uranium, gold and other base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Equity market risk

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading. The Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

13. SEGMENTED INFORMATION

The primary business of the Company is the acquisition and exploration of mineral properties.

Geographic information is as follows:

	2011	2010
Capital assets		
Canada	$ 14,457,931	$ 19,279,544
United States	16,355,318	13,185,770
Ireland	1	1,607,522
Africa	-	256,875
	$ 30,813,250	$ 34,329,711

14. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates in effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs relating to the financing of the investment in the Reno Creek Property and fund its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of mineral property interests in order to re-invest the proceeds.