

# **NWT URANIUM CORP.**

## **Management's Discussion and Analysis – Annual 2010**

### **GENERAL**

This Management Discussion and Analysis (“MD&A”) of the financial results of NWT Uranium Corp. (“NWT”) and its subsidiaries (collectively, the “Company”) for the year ended December 31, 2010 should be read in conjunction with the audited consolidated financial statements of NWT and the notes thereto. This discussion covers the most recently completed year and the subsequent period to April 28, 2011.

The audited consolidated financial statements of NWT and the notes thereto for year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). These documents, along with others published by the Company, are available on SEDAR at [www.sedar.com](http://www.sedar.com). All dollar amounts are stated in Canadian dollars unless otherwise noted.

### **FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause actual results and performance of the Company to be materially different from those expressed or implied by such forward-looking statements. Readers are advised to consider such forward-looking statements while considering the risks set forth later in this MD&A.

The Company assumes no obligation to publicly release any revision to any forward-looking statements contained in this MD&A, except as required by law.

### **DESCRIPTION OF THE BUSINESS**

NWT was incorporated under the laws of the Province of Ontario, Canada by articles of incorporation on September 26, 2003 and NWT's outstanding common shares became publicly listed on March 19, 2004 on the TSX Venture Exchange under the symbol “NWT”. Subsequently, the outstanding common shares of the Company were listed on the OTCBB under the symbol “NWURF” and on the Frankfurt Exchange.

NWT is an exploration stage company. The Company has interests in several other publicly traded junior mining companies through which it has exposure to several prospective properties. The properties are at the exploratory stage and thus non-producing and consequently do not generate operating income or cash flow from operations at this time. The Company may be dependent on additional equity or debt capital or divestitures to finance its activities.

The Company's near term goal is to raise its global portfolio of mining property assets by continuing to locate prospective properties in order to acquire new properties for exploration.

In the longer term, NWT is seeking out properties which could contain significant value for shareholders. These prospective properties are located across the globe including, but not limited to, South America, Asia, and Africa. Acquiring properties involves either direct acquisition of exploration rights from governments, earn-in option agreements, or interests in other companies.

For direct acquisition of exploration rights from governments, upon completion of due diligence and technical review by advisors and management, the Company will submit a proposal to the government and legislated bodies in charge of issuing permits to obtain licenses with respect to required work commitments. The time periods involved with this activity vary with each jurisdiction.

For acquisition of properties through earn-in option agreements or interests in other companies, the Company will enter into agreements only upon completion of due diligence and technical review by the board of directors, advisors and management.

NWT may also enter into Joint Venture agreements for properties in order to distribute risk amongst multiple companies, or to gain the expertise of companies.

Upon potential completion of a successful exploration program, the property may go towards the next step to prepare for production. The process generally involves new mining permits, and may require the outlay of significant resources.

NWT currently has two wholly-owned subsidiaries, Northwest Mineral Mexico, S.A. de C.V. and Niketo Co. Ltd. ("Niketo").

## **GENERAL UPDATE**

The Company intends to raise its global portfolio of mining property assets by looking to acquire assets in Asia by leveraging current relationships. Recently, management has looked into several properties in Europe and Africa as well.

Over the past year, NWT has made significant progress in Vietnam.

In September 2009, NWT was invited to join in several meetings held by a delegation of Vietnamese officials, led by the Deputy Prime Minister of Vietnam. After studying numerous properties, NWT has managed to narrow down its selection to a few properties the Company deems valuable.

On February 5, 2010, the Company was granted approval to conduct preliminary survey and exploration of the minerals in Quang Tri province in Vietnam, covering an area of approximately 1,500 square kilometers. The Company is completing preliminary investigations on the property to confirm historical resource data. It is anticipated that there are copper, gold, iron ores and other mineral reserves on this property.

NWT is currently looking into several other properties and companies in Vietnam for the purposes of exploration or collaboration on exploration properties.

NWT continues to negotiate with high level government officials as well as government mining ministry officials on NWT's involvement in Vietnam to build value in the country that goes beyond exploration and the future extraction of just a few properties. The management team has met with Vietnamese officials as well as a delegation lead by the chairman of the Vietnam Atomic Energy Commission and continues its discussion of NWT's future involvement.

On September 7<sup>th</sup>, 2010, NWT announced that that it has signed a Memorandum of Understanding ("MOU") with Vietnam Atomic Energy Institute ("VAEI"). Under the current MOU, NWT will be directly involved in all aspects of Uranium exploration including analyzing and assessing uranium ore, evaluating technical and economic feasibility of properties and assisting with developing the Country's nuclear energy sector. The management team of NWT Uranium believes that this MOU is the first step to realizing its strategy in Vietnam of discovering, exploring and mining uranium and other mineral properties in the country. In conjunction with the Institute for Technology of Radioactive Rare Elements ("ITRRE"), a government agency reporting to VAEI, NWT is currently planning to execute the terms of this agreement.

On October 5<sup>th</sup>, 2010, the company notified the market that Niger Uranium Limited, which NWT and its subsidiaries own 35%, entered into a joint venture agreement with South African Minerals.

On October 25<sup>th</sup>, 2010, the company announced that it has appointed David Tsubouchi to its Advisory Board. Mr Tsubouchi currently serves as a member of the Board of Directors of Hitachi Canada, was the former Chair of the Management Board of Cabinet of the Province of Ontario, among many other accomplishments. The company believes that Tsubouchi's insight and participation will aid the company in its endeavours in Vietnam, specifically regarding the MOU signed with the VAEI.

## **OVERALL PERFORMANCE**

Dividend income of approximately \$22 million (as converted in CAD\$ at the time of receipt) was received during 2010 from the Niger Uranium Ltd. ("Niger") holding. Part of these funds were received in NWT and part in its wholly owned subsidiary, Niketo Co Ltd. This amount was distributed by Niger partially in cash, and partially as a distribution in specie of the holdings of Kalahari Minerals Plc. ("Kalahari"). The distributions were cash of CAD\$12,539,565 (as converted on the date of receipt) and a distribution in specie of Kalahari shares valued at CAD\$9,443,467 (fair market value in CAD\$ on date of receipt).

Subsequent to the receipt of the receipt of the share dividend distribution of Kalahari, Niketo Co Ltd sold 2,125,939 shares of Kalahari and realized a gain of approximately CAD\$500,000.

The Company is in the process of developing an exploration program for its property in Quang Tri province in Vietnam for exploration of mineral resources. It is anticipated that the program will be complete in the coming year.

## **RESULTS OF OPERATIONS**

The net income from operations for the year ended December 31, 2010 was \$15,635,218 (\$0.12 per share) compared to a net loss of \$4,787,883 (\$0.04 per share) in 2009, an increase of \$20,423,101. The revenue in the current year was a non-recurring dividend received from Niger.

### **Interests in Exploration Companies and Mineral Properties transferred**

#### *Niger Uranium Limited*

On June 4, 2007, NWT entered in to a Joint Venture Agreement with UraMin inc. ("UraMin"), an arm's length party, which was subsequently acquired by Areva NC, to form a new corporation called Niger Uranium Limited to conduct an exploration program on a total of eight highly prospective uranium concessions in Niger.

On July 26, 2007, NWT and UraMin announced that they had completed the Joint Venture Agreement by forming Niger Uranium. Furthermore, NWT and UraMin contributed a total of eight uranium concessions to Niger Uranium SA, a wholly-owned subsidiary of Niger Uranium.

On August 1, 2007, Niger Uranium completed a private placement to raise gross proceeds of US\$19 million (\$20,244,500), 9,515,000 UK pound sterling), with Haywood Securities (UK) Ltd. as agent. In the financing, Niger Uranium issued 19,090,000 shares at a price of 0.50 UK pound sterling per share. Cash commission of 6% was paid on gross proceeds together with 1,145,400 broker warrants, each entitling the holder to acquire shares of Niger Uranium at a price of 0.50 UK pound sterling per share for a period of two years. On closing, the private placees held a total of 23% of Niger Uranium consisting of 19,090,000 shares. NWT maintained a 38.5% interest consisting of 31,955,000 shares. UraMin's 38.5% equity stake, which consisted of 31,955,000 shares, was distributed to its shareholders due to the purchase of UraMin by Areva NC. Niger Uranium had issued a total of 83,000,000 shares as of December 31, 2007.

On March 20, 2008, Niger Uranium agreed to acquire up to 27,680,000 shares of Kalahari Minerals PLC ("Kalahari"), an AIM-listed corporation with assets in Namibia, which would represent 17.5% of Kalahari, upon completion of a Kalahari private placement. The purchase price was 12,400,000 UK pounds sterling (\$24.96 million), satisfied through a cash payment of 7,470,000 UK pounds sterling (\$15 million) from Niger Uranium's existing cash balances, and the issuance of 17,000,000 Niger Uranium shares from treasury.

On April 21, 2008, Niger Uranium agreed to acquire up to 8,842,000 shares of UrAmerica, a private company with uranium exploration prospects in Argentina, Paraguay and Columbia, which upon completion would represent 33.58% of UrAmerica. The purchase price was US\$11.5 million (\$12,195,750), satisfied through a cash payment of US\$2.5 million (\$2,651,250) and an initial issuance of 4,664,306 shares of Niger Uranium, which resulted in ownership of 4,421,000 shares of UrAmerica.

The purchase of the remaining 4,421,000 shares of UrAmerica was related to warrants which could be exercised within a two year period at an estimated cost of US\$7.2 million (\$7,635,600).

On March 17, 2010, the Company received dividends, through direct ownership and through its wholly-owned subsidiary in the amount of \$12,539,565.

On May 7, 2010, the Company received a special dividend in specie of Kalahari Minerals Plc. shares. The Company received 3,837,977 shares in Kalahari Minerals Plc. (valued at \$9,443,467 (GBP£6,390,232)). The parent company received 611,511 shares and Niketo received 3,226,466 shares.

NWT's holdings, along with its wholly owned subsidiary, represent approximately 35% of Niger Uranium's 113,210,056 outstanding shares. As of December 31, 2010, this represented a liquid market value of \$5,096,041. This represents a quarterly increase in the value of the holdings of \$2,025,098.

As of December 31, 2010, the shares held by the company in Kalahari Minerals Plc. represented a liquid market value of \$6,639,712. This represents a quarterly increase in the value of the holdings of \$2,371,489.

#### Azimut Exploration

On July 9, 2009, NWT entered a termination agreement on its option agreements for North Rae and Daniel Lake with Azimut Exploration. In accordance with the terms of the termination agreement, 1,800,000 shares in the Capital stock of Azimut Exploration were delivered to NWT on July 27, 2009, giving NWT a 9.4% interest in Azimut Exploration at the time. NWT feels this is a positive transaction as it gives it one of the largest interests in the common shares of Azimut Exploration, one of the largest claims holder in Quebec with a diverse portfolio of properties. NWT will thus avoid an intensive and expensive work program on the properties, at the same time sharing in the upside of the properties as well as others held by Azimut.

Azimut Exploration Inc. is a Canadian mineral exploration company trading on Toronto's TSX Venture Exchange. Its objective is to discover major ore deposits using an innovative targeting methodology combined with considerable exploration know-how.

Azimut's portfolio includes 22 exploration properties in Quebec for uranium, gold, rare earths, chromium and platinum group metals. The properties represent about 20,000 claims (approximately 10,000 km<sup>2</sup> or about 10% of the provincial total), making it the largest claim-holder in this mining-friendly province.

For more information see [www.azimut-exploration.com](http://www.azimut-exploration.com).

As of December 31, 2010, the shares held by the company in Azimut represented a liquid market value of \$1,494,000 This represents a quarterly increase in the value of the holdings of \$270,000.

#### NWM Mining Corporation

On September 29, 2009, NWT participated in a private placement financing for NWM Mining Corp ("NWM"). The transaction involved subscribing to 7,500,000 common share units for total proceeds of \$450,000; price per unit was \$0.06, with each unit consisting of one common share and common share warrant. NWM is commissioning a SART (Sulphidation Acidification Recycling Thickening) plant and ADR circuit at the past producing Lluvia de Oro gold mine. NWM has assembled by option, purchase agreement and staking, a ground package totaling 5,074.52 hectares in the area around and to the west of the mine. This claim area covers 2 known gold ore bodies that are separated by 3.5 km. NWM has combined two mineral properties; the past producing Lluvia de Oro gold mine and La Jobjoba gold resource, and has secured exploration rights to the surrounding ground with a view to developing a district level gold project.

Subsequent to this transaction, NWT sold its drill at Ungava Bay for \$300,000 to NWM.

Lluvia-Jojoba Project

The Lluvia-Jojoba project consists of 2 gold ore bodies with total combined claim area of 5,075 Ha. The property has been a past producing gold mine and has a refurbished plant onsite. Copper recovery plant (**SART circuit**) will provide economic credit for copper, materially improve project economics and reduce the environmental footprint of operations.

Lluvia de Oro Gold Mine

After several years of pursuing mining claims at the Lluvia de Oro gold mine, and after securing operating access to and purchase rights for those claims, NWM Mining Corporation ("NWM") is now starting commercial production at the mine. This will establish NWM as a gold and copper producer and will provide a cash flow for developing the Company's projects in Mexico.

La Jojoba Gold Resource

The La Jojoba property is comprised of 4 claims totaling 528.9 hectares. At a cutoff grade of .3 (g/t) an NI 43-101 measured and indicated resource on the northeast zone contains some 218,808 oz. of gold. The La Jojoba property is located 3.5 km west of the Lluvia de Oro mine. NWM has staked the ground around and between La Jojoba and Lluvia de Oro, and has mineral rights in the area totaling some 5,075 hectares.

Sierra Pinta Gold Mine

The Sierra Pinta gold mine was developed on two shafts (Dolores shaft / La Pinta shaft). The shafts were sunk along narrow, high-grade, gold bearing veins. The property titled by NWM includes the past producing underground gold mines and surrounding areas. NWM has a combined total ground holding of some 2,715 hectares. This property is located approximately 25 km from La Herradura gold mine which is Mexico's largest producing gold mine and is a joint venture between Industriales Penoles and Newmont Mining Corp (NYSE: NEM). The 'Penmont joint venture' has been responsible for the discovery of two new ore bodies in recent years, dipolos and soledad, and these deposits are also now being progressed toward production.

PII Colorado Exploration Project

In 2005, following the recommendations set forth by S. Sears (43-101 Report, October, 2004), NWM embarked on an exploration program consisting of detailed geological mapping, soil and rock geochemistry, ground geophysics and the initiation of a 3,000 meter diamond drill program.

As of December 31, 2010, the shares held by the company in NWM represented a liquid market value of \$900,000. This represents a quarterly increase in the value of the holdings of \$300,000.

Subsequent to December 31, 2010, NWT exercised warrants in NWM. See subsequent event note.

## **SUMMARY OF QUARTERLY RESULTS**

	2010			
	December 31	September 30	June 30	March 31
	\$	\$	\$	\$
Net Income/(loss) for the period	(2,542,136)	(63,302)	7,452,961	10,787,695
Net Income/(loss) per share basic	(0.03)	0.00	0.06	0.09
Net Income/(loss) per share diluted	(0.03)	0.00	0.06	0.08
Total assets	39,753,310	32,087,740	32,118,162	32,415,711
Shareholders' equity	36,746,536	30,820,062	30,781,573	32,297,971

	2009			
	December 31	September 30	June 30	March 31
	\$	\$	\$	\$
Net Income/(loss) for the period	904,571	(4,270,075)	(636,395)	(785,984)
Net Income/(loss) per share basic	0.00	(0.03)	(0.01)	(0.01)
Net Income/(loss) per share diluted	0.00	(0.03)	(0.01)	(0.01)
Total assets	30,258,114	32,138,744	32,618,565	30,147,254
Shareholders' equity	30,118,998	25,859,587	27,351,739	25,697,558

The loss in the fourth quarter of 2010 includes non-recurring, non-cash expense of \$1.3 million for stock based compensation expense.

There were no significant events in the third quarter of 2010.

The income in the second quarter of 2010 is attributable to the receipt of the special dividend of Kalahari Minerals, Plc. shares from the Company's holding of Niger Uranium, and the subsequent sale of a portion of the Kalahari Minerals, Plc. shares by NWT's wholly owned subsidiary, Niketo.

The income in the first quarter of 2010 is attributable to dividends distributed by Niger Uranium from the proceeds of the sale of its partial stake in the publicly traded company Kalahari Minerals Plc. Accordingly, since much of the value of Niger Uranium was based on the holding of these shares in Kalahari Minerals, Plc., a significant decrease in share price occurred subsequent to the distribution of the shares.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2010, the Company had cash and cash equivalents of \$19,593,946 (2009 - \$5,360,698) and working capital of \$20,092,235 (2009 - \$7,173,474). Management of the Company believes that it has sufficient funds to pay its ongoing work commitments, administrative expenses and its liabilities for the ensuing period as they fall due.

The Company has no long-term contractual obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

For the year ended December 31, 2010, the Company incurred \$1,695,161 (2009 - \$409,320) for consulting and directors' fees rendered by directors and officers of the Company. The entire amount has been expensed in the statements of operations. Included in accounts payable and accrued liabilities at December 31, 2010 is \$52,793 (December 31, 2009 - \$49,170) owing to these related parties.

A loan receivable was issued during fiscal 2009 to a consultant of the Company in the amount of US\$201,000. This consultant provides consulting services related to the acquisition of properties in Asia,

among other things. The loan was provided for temporary housing and office space. As at December 31, 2010, US\$197,018 was outstanding.

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

### **OUTSTANDING SHARE DATA**

As of the date of this report, NWT has an unlimited number of common shares authorized for issuance, with 132,141,342 common shares issued and outstanding. The Company currently has 13,210,000 options outstanding, all of which have vested and are exercisable.

### **SUBSEQUENT EVENT**

Subsequent to year-end, the Company exercised its warrants in NWM Mining Corp. ("NWM"). The warrants were exercised at \$0.10 per share, entitling the Company to receive 7,500,000 common shares of the NWM.

### **PROPOSED TRANSACTIONS**

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

### **FUTURE ACCOUNTING CHANGES**

#### **International Financial Reporting Standards ("IFRS")**

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 30, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

#### ***IFRS Transition Plan***

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Completed
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	Completed
Final determination of changes to accounting policies and choices to be	

made with respect to first-time adoption alternatives.	Substantially completed, to be completed in conjunction with the Q1 2011 IFRS financial statements
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	Substantially completed, to be completed in conjunction with the Q1 2011 IFRS financial statements
Quantification of the financial statement impact of changes in accounting policies.	Throughout 2011
Management and employee education and training.	Throughout the transition and implementation process

### ***Impact of Adopting IFRS on the Company's Business***

As part of its analysis of expected changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

### ***First-time adoption of IFRS***

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments issued after November 7, 2002, and that had not vested by the Transition date.
- To apply IFRS 3 *Business Combinations* prospectively from the Transition date, therefore not restating business combinations that took place prior to the Transition date.
- To apply the transition provisions of IFRIC 4 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the Transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the Transition Date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.



Prior to reporting interim financial statements in accordance with IFRS for the quarter ending March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

### **Impact of Adopting IFRS on the Company's Financial Statements**

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

#### *1) Exploration and Evaluation Expenditures*

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves.

On adoption of IFRS, the carrying value of mineral resource properties will be reduced to zero (as at the Transition Date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

#### *2) Impairment of (Non-financial) Assets*

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

#### *3) Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its consolidated financial statements.

#### *4) Asset Retirement Obligations (Decommissioning Liabilities)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A

constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Company does not expect this change will have an immediate impact on the carrying value of its assets.

5) *Property and Equipment*

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its consolidated financial statements.

6) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its consolidated financial statements.

7) *Foreign Currency*

IFRS requires that the functional currency of Company and its subsidiaries be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the Transition Date.

***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's first financial statements prepared in accordance with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at January 1, 2010).

**CAPITAL MANAGEMENT**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns for shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary, in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, comprising common shares, stock options, warrants, contributed surplus, accumulated other comprehensive income and retained earnings (managed capital), which at December 31, 2010 totaled \$36,746,536 (2009 - \$30,118,998 ).

The Company is currently looking to acquire properties. As such the Company may be dependent on external financing to fund its activities. In order to carry out the planned exploration programs and pay for

administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within the current economic environment by:

- (i) minimizing discretionary disbursements;
- (ii) reducing or eliminating exploration expenditures which have limited strategic value; and
- (iii) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns.

The Company invests the majority of its capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions. A small portion is held in mineral exploration equities.

The Company is not subject to externally imposed capital requirements.

## **FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, amounts receivable and loan receivable. Cash is held with reputable financial institutions. Financial instruments included in amounts receivable consist of deposits held with service providers and taxes receivable. Amounts receivable are in good standing as of December 31, 2010.

Loan receivable consists of a loan to a consultant of the Company. The loan receivable is in good standing as at December 31, 2010. Management believes that the credit risk concentration with respect to financial instruments included in cash, amounts receivable and loan receivable is minimal.

### Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the company had a cash and cash equivalents balance of \$19,593,946 (2009 - \$5,360,698) to settle current liabilities of \$3,006,774 (2009 - \$139,116). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### Market Risk

#### (i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest the majority of excess cash in investment-grade short term guaranteed investment certificates or treasury bills issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

(ii) Foreign Currency Risk

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company maintains Mexican Peso, United States dollar, UK Pound Sterling and European Euro bank accounts. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of uranium, individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

### **FAIR VALUE**

The Company has classified, for accounting purposes, its cash as held-for-trading, which are measured at fair value. Amounts receivable and loan receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which is approximately equivalent to fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost which is also approximately equivalent to fair value. The carrying value of loan receivable approximates fair value as the interest rate is representative of the current market loans.

### **SENSITIVITY ANALYSIS**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period. The sensitivity analysis shown in the notes below may differ materially from actual results.

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and accounts payable and accrued liabilities that are denominated in Mexican Pesos and United States dollars. As at December 31, 2010, had the Mexican Peso, US dollar, UK pound sterling and European Euro varied by 5% against the Canadian dollar with all other variables held constant, the Company's reported net income for the year ended December 31, 2010 would have varied by approximately \$848,000.

(ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of uranium. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of uranium may be produced in the future, a profitable market will exist for them. As of December 31, 2010, the Company was not a producer of uranium. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(iii) The Company's long term investment in Niger Uranium Limited and other public companies is sensitive to an estimated plus or minus 20% change in equity prices which would affect comprehensive income (loss) by approximately \$3,281,000.

### **FINANCIAL INSTRUMENTS**

The Company has not entered into any specialized financial agreements to minimize its investment risk, commodity risk and currency risk.

## **UNCERTAINTIES AND RISK FACTORS**

The mining business is inherently risky in nature. Exploration activities rely on professional judgments and statistically based tests and calculations and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to risks including labour disputes, environmental hazards, safety issues, geological issues, weather conditions, and changing regulatory requirements as examples. The Company is subject to competitive risk as its ability to finance its activities and generate profitable operations or proceeds from disposal of assets are subject to the world price for the precious metals and the economic forces that influence capital markets. As a result the securities of the Company must be considered speculative. A prospective investor in the Company should carefully consider the following factors:

### Liquidity Concerns and Future Financings

The Company may require significant capital and operating expenditures in connection with the development of any potential properties. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain equity financing or debt financing on favorable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

### No Revenues from Mining Operations

To date, the Company has recorded no revenues from mining operations and the Company has not commenced commercial production or development on any property. The revenues to date relate to the disposition of acquired mining exploration properties for development and dividends received for shareholdings. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. If the Company acquires the rights for the exploration of a property, the Company's operating expenses and capital expenditures will increase in relation to the engagement of consultants, personnel and equipment associated with advancing exploration, development and commercial production of such Company's properties. The Company expects to continue to incur losses for the foreseeable future. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming exploration. There can be no assurance that the Company will generate any revenues or achieve profitability.

### Regulations and Mining Law

Mining operations and exploration activities are subject to extensive local and overseas' laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

### Share Price Fluctuations

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

### Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### Governmental Regulation

Exploration, development and mining of the properties will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production; price controls; and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

### Exploration and Development

Exploration for uranium and other minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that exploration efforts will result in the discovery of mineralization or that any mineralization discovered will result in the definition reserves. If reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically mined.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

All exploration and development evaluation expenditures incurred by the Company prior to establishing that a property has economically recoverable reserves are capitalized.

### Operating Hazards and Risks

Mineral exploration and development involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to such activities, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Although the Company has secured liability insurance and property insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs or uninsured losses that could have a material adverse effect upon its financial condition.

No Dividends

The Company has not paid any dividends on its outstanding common shares. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

Dependence on Key Employees

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services might impede the Company's business strategy and growth.

Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition

The mineral industry is intensely competitive in all its phases. NWT Uranium competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

April 28, 2011

On behalf of the Board of Directors

Toronto, Ontario