ATHABASCA URANIUM INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Athabasca Uranium Inc.

We have audited the accompanying financial statements of Athabasca Uranium Inc. which comprise the balance sheets as at August 31, 2011 and 2010 and the statements of operations 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Athabasca Uranium Inc. as at August 31, 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.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

December 14, 2011

ATHABASCA URANIUM INC.
BALANCE SHEETS
AS AT AUGUST 31

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	$ 4,215,050	$ 474,629
Receivables	147,806	20,486
Prepaids	14,625	55,375
	4,377,481	550,490
Mineral properties (Note 3)	3,736,841	452,350
	$ 8,114,322	$ 1,002,840
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 92,980	$ 10,000
Future income tax liability	32,000	-
Shareholders' equity		
Capital stock (Note 4)	8,478,486	1,267,836
Contributed surplus (Note 4)	722,907	251,731
Deficit	(1,212,051)	(526,727)
	7,989,342	992,840
	$ 8,114,322	$ 1,002,840

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

On behalf of the Board:

"Gil Schneider" Director *"D. Barry Lee"* Director

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

ATHABASCA URANIUM INC.
STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED AUGUST 31

	2011	2010
ADMINISTRATION EXPENSES		
Accounting and audit	$ 43,485	$ 26,988
Bank charges and interest	1,387	168
Consulting (Note 5)	291,770	22,500
Office and miscellaneous	20,175	4,950
Office rent	36,600	31,200
Professional fees	28,214	30,245
Management fees (Note 5)	145,000	10,000
Investor relations	189,713	1,726
Stock-based compensation (Note 4)	298,958	167,894
Transfer agent and filing fees	64,666	22,461
Travel and promotion	12,445	34,280
Loss before other item	(1,132,413)	(352,412)
OTHER ITEM		
Interest income	29,089	-
Loss for the year before income taxes	(1,103,324)	(352,412)
Future income tax recovery	418,000	-
Loss for the year	(685,324)	(352,412)
Deficit, beginning of year	(526,727)	(174,315)
Deficit, end of year	$ (1,212,051)	$ (526,727)
Basic and diluted loss per common share	$ (0.03)	$ (0.06)
Weighted average number of common shares outstanding	33,276,058	5,657,534

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

ATHABASCA URANIUM INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (685,324)	$ (352,412)
Item not affecting cash:		
Stock-based compensation	298,958	167,894
Future income tax recovery	(418,000)	-
Changes in non-cash working capital items:		
Increase in receivables	(127,320)	(19,958)
(Increase) decrease in prepaids	40,750	(50,729)
Increase in accounts payable and accrued liabilities	20,480	3,755
Net cash used in operating activities	(870,456)	(251,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(1,095,491)	(252,350)
Net cash provided by investing activities	(1,095,491)	(252,350)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	6,167,379	900,000
Share issuance costs	(461,011)	(47,300)
Net cash used in investing activities	5,706,368	852,700
Change in cash and cash equivalents during the year	3,740,421	348,900
Cash and cash equivalents, beginning of year	474,629	125,729
Cash and cash equivalents, end of year	$ 4,215,050	$ 474,629

Cash and cash equivalents consist of:

	2011	2010
Cash on deposit	$ (34,950)	$ 474,629
Guaranteed investment certificate	4,250,000	-
	$ 4,215,050	$ 474,629

Supplemental disclosure with respect to cash flows (Note 7)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007 and was initially classified as a Capital Pool Company as defined in TSX Venture Exchange Policy 2.4. The Company completed a Qualifying Transaction on July 7, 2010 (see Note 3) and subsequently changed its name from BOE Capital Corp. to Athabasca Uranium Inc. and its trading symbol on the TSX Venture Exchange from 'BOC' to 'UAX'.

The financial statements contained herein include the accounts of Athabasca Uranium Inc. (the "Company").

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support from related parties, to complete public equity financing, or to generate profitable operations in the future.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The 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.

	2011	2010
Working capital	$ 4,284,501	$ 540,490
Deficit	(1,212,051)	(526,727)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the year. Actual results could differ from those reported. Significant accounts that require estimates relate to the determination of the impairment of long-lived assets, and estimates used in the calculation of stock-based compensation expense and the fair value of agents' warrants, and the valuation allowance applied to long-lived assets.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits and funds held in trust by lawyers. Cash equivalents include short-term highly liquid investments with original maturities of three months or less and or are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable mineral 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 and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral 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.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. 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. The Company does not have any significant asset retirement obligations.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The Company has classified its cash and cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

CICA Section 3862 requires a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy under Section 3862 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 assets or liabilities, either directly or indirectly; and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The adoption of this policy did not have a significant impact on the financial statements.

See Note 10 for relevant disclosures.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Emerging Issues Committee 146 "Flow-Through Shares" requires that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, be recognized as a recovery of income taxes in the statement of operations.

Stock-based compensation

The Company uses the fair value method for valuing stock option grants. Compensation costs attributable to share options granted are measured at fair value at the grant date and are expensed over vesting periods with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Loss per share

Loss per share computations are based upon the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and other similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per share for the years presented is not disclosed, as the effect of conversion of outstanding options and warrants is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share (cont'd…)

Of the 46,706,365 common shares outstanding as at August 31, 2011 (2010 – 15,000,000), Nil (2010 – 2,400,000) common shares have been excluded from the weighted average number of shares calculation because they are contingently returnable.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's shareholders' equity that results from transactions and other events arising from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. The comprehensive income (loss) accounting recommendations require certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other comprehensive income until it is considered appropriate to recognize into net earnings.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Recent accounting pronouncements not yet adopted

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly listed companies to use 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 of September 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management intends to continue to review new standards, as well as the impact of the existing accounting standards, between now and the conversion date to ensure all relevant changes are addressed. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

3. MINERAL PROPERTIES

Title to mineral property interests 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 claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada.

3. MINERAL PROPERTIES (cont'd…)

The Company's mineral properties consist of:

	McCarthy Lake	McGregor Lake	Keefe Lake (including Webb River)	East Key Lake	Total
Balance, August 31, 2009	$ -	$ -	$ -	$ -	$ -
Interest in property	300,000	-	-	-	300,000
Other acquisition costs	60,975	-	-	-	60,975
Consulting	91,375	-	-	-	91,375
Total additions	452,350	-	-	-	452,350
Balance, August 31, 2010	452,350	-	-	-	452,350
Interest in property	58,265	673,000	1,288,500	430,000	2,449,765
Geology	18,750	18,750	18,750	6,250	62,500
Consulting	27,795	24,750	40,500	9,500	102,545
Surveying	115,624	287,835	219,217	47,005	669,681
Total additions	220,434	1,004,335	1,566,967	492,755	3,284,491
Balance, August 31, 2011	**$ 672,784**	**$ 1,004,335**	**$ 1,566,967**	**$ 492,755**	**$ 3,736,841**

McCarthy Lake Project

As its Qualifying Transaction, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 50% interest in and to the mineral rights underlying the prospective uranium property known as the McCarthy Lake Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $300,000 to an arm's length vendor, consisting of $100,000 cash and 2,000,000 common shares of the Company issued at a value of $200,000. The Company will incur a minimum of $200,000 in exploration expenditures on the McCarthy Lake Property within one year in order to satisfy the final condition to exercise the option (incurred). The McCarthy Lake Property is subject to a 2.5% net smelter return ("NSR") royalty, 80% of which the Company has the option to purchase from the vendor at any time for $500,000.

On August 26, 2011, by mutual agreement of the parties, the acreage under option at McCarthy Lake was reduced and the McCarthy Lake Option Agreement was amended. Pursuant to such amendment, the Company fulfilled its final obligation in exercising its option to purchase the McCarthy Lake Property and was deemed to have earned a 50% interest in and to the mineral rights underlying the McCarthy Lake Property.

McGregor Lake Project

On October 20, 2010, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the McGregor Lake Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $510,000 to an arm's length vendor, consisting of $60,000 cash and 1,500,000 common shares at a fair value of $450,000, fulfilling the initial commitment under the McGregor Lake Property option agreement. Additional commitments in order to exercise the McGregor Lake option include the Company making cash payments totalling $750,000 within 42 months and filing $3,000,000 in qualified exploration expenditures on the McGregor Lake Property within four years. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

3. **MINERAL PROPERTIES** (cont'd…)

McGregor Lake Project (cont'd…)

As part of the McGregor Lake Project, on April 7, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Hodges Lake Property, adjacent to the McGregor Lake Property. The Company paid consideration of $163,000, consisting of $25,000 cash and 600,000 common shares at a fair value of $138,000, fulfilling the initial commitment under the Hodges Lake Property option agreement. Additional commitments in order to exercise the Hodges Lake option include the Company filing $3,500,000 in qualified exploration expenditures within four years on any properties within the McGregor Lake Project area. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

Keefe Lake Project

On September 14, 2010, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Webb River Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $507,500 to an arm's length vendor, consisting of $50,000 cash and 1,500,000 common shares at a fair value of $457,500; fulfilling the initial commitment under the Webb River Property option agreement. Additional commitments in order to exercise the Webb River option include the Company making cash payments totalling $600,000 within 42 months and filing $2,500,000 in qualified exploration expenditures on the Webb River Property within four years. The 1% NSR may be purchased from the vendor by the Company for $1,500,000.

As part of the Webb River Project, on May 13, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Hamilton Lake Property, adjacent to the Webb River Property. The Company paid consideration of $121,000, consisting of $25,000 cash and 600,000 common shares at a fair value of $96,000, fulfilling the initial commitment under the Hamilton Lake Property option agreement. Additional commitments in order to exercise the Hamilton Lake option include the Company filing $3,000,000 in qualified exploration expenditures within four years on any properties within the Webb River Project area. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

On July 27, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 1% NSR) in the Keefe Lake Property, a 12,832-hectare prospective uranium property in the Athabasca Basin region of Saskatchewan. The Company paid consideration of $660,000 to an arm's length vendor, consisting of $65,000 cash and 3,500,000 common shares at a fair value of $595,000, fulfilling the initial commitment under the Keefe Lake Property option agreement. Additional commitments in order to exercise the Keefe Lake option include the Company making cash payments totalling $1,500,000 on or before the fifth anniversary of the agreement and filing $5,000,000 in qualified exploration expenditures on the Keefe Lake Property within five years. 1% of the NSR may be purchased by the Company for $1,500,000.

East Key Lake Project

On February 7, 2011, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the East Key Lake Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $430,000 to an arm's length vendor, consisting of $40,000 cash and 1,000,000 common shares at a fair value of $390,000, fulfilling the initial commitment under the East Key Lake Property option agreement. Additional commitments in order to exercise the East Key Lake option include the Company making cash payments totalling $750,000 within 42 months and filing $3,000,000 in qualified exploration expenditures on the East Key Lake Property within four years. The 1% NSR may be purchased from the vendor by the Company for $1,500,000.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Capital Stock		Contributed Surplus
Authorized:					
Unlimited common shares without par value					
Unlimited preferred shares without par value					
Issued:					
Balance as at August 31, 2009	4,000,000	$	223,389	$	75,584
Issuance on private placement	9,000,000		900,000		-
Issuance for McCarthy Lake Property option (Note 3)	2,000,000		200,000		-
Share issuance costs	-		(55,553)		-
Issuance costs for agents' warrants	-		-		8,253
Stock-based compensation	-		-		167,894
Balance as at August 31, 2010	15,000,000	$	1,267,836	$	251,731
Issuance for Webb River Property option (Note 3)	1,500,000		457,500		-
Issuance for McGregor Lake Property option (Note 3)	1,500,000		450,000		-
Issuance for East Key Lake Property option (Note 3)	1,000,000		390,000		-
Issuance for Hodges Lake Property option (Note 3)	600,000		138,000		-
Issuance for Hamilton Lake Property option (Note 3)	600,000		96,000		-
Issuance for Keefe Lake Property option (Note 3)	3,500,000		595,000		-
Issuance on private placement	22,062,614		5,978,629		-
Share issuance costs	-		(633,229)		-
Issuance on warrant exercise	943,751		188,750		-
Issuance costs for agents' warrants	-		-		172,218
Stock-based compensation	-		-		298,958
Tax benefit renounced to flow-through share subscribers	-		(450,000)		-
Balance as at August 31, 2011	46,706,365	$	8,478,486	$	722,907

For the Year Ended August 31, 2011

Private Placements

i) On December 7, 2010, the Company completed the first tranche of a $3.1 Million private placement offering, issuing 6,477,391 flow through (FT) Units in the capital of the Company to subscribers to the offering for gross proceeds of $1,489,800. Each FT Unit consists of one flow through common share and one common share purchase warrant (FT Warrant). Each FT Warrant issued entitles the holder to purchase one common share at a price of $0.35 per share until December 7, 2011. The Company will renounce an amount equal to the gross proceeds derived from the sale of the FT Units to the purchasers thereof in accordance with the provisions of the Income Tax Act (Canada).

Additionally, the Company paid various arm's-length parties cash in the aggregate amount of $76,536 and issued warrants to purchase an aggregate 489,130 common shares at $0.23 and warrants to purchase 126,000 common shares at $0.30 as commissions for their parts in the placement of the first tranche of the offering.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

For the Year Ended August 31, 2011 (cont'd…)

Private Placements (cont'd…)

ii) On December 22, 2010, the Company completed the second and final tranche of its $3.1 Million private placement offering, consisting of 1,348,695 FT Units consisting of one flow through common share and one common share purchase warrant (FT Warrant) and 6,500,000 non-flow through (NFT) Units consisting of one non-flow through common share and one common share purchase warrant (NFT Warrant) for aggregate gross proceeds of $1,610,200. Each FT Warrant issued entitles the holder to purchase one common share at a price of $0.35 per share until December 22, 2011 and each NFT Warrant entitles the holder to purchase one common share at a price of $0.30 per share until December 22, 2011. The Company will renounce an amount equal to the gross proceeds derived from the sale of the FT Units to the purchasers thereof in accordance with the provisions of the Income Tax Act (Canada).

In connection with the closing of the second tranche, the Company paid certain finders an aggregate cash commission of $89,954 and issued 525,870 finder's compensation warrants, each such warrant entitling the finder to purchase a common share at an exercise price of $0.30 until December 22, 2011.

iii) On March 14, 2011, the Company issued 2,041,714 non-flow through Units consisting of one common share and one share purchase warrant (NFT Warrant) at a price of $0.35 per NFT Unit and 5,694,814 flow through Units consisting of one flow through common share and one share purchase warrant (FT Warrant) at a price of $0.38 per FT Unit for aggregate gross proceeds of $2,878,629. Each NFT Warrant issued entitles the holder thereof to purchase one share at a price of $0.45 per share until March 11, 2013. Each FT Warrant issued entitles the holder thereof to purchase one share at a price of $0.50 per share until March 11, 2012.

In connection with the placement, the Company issued finders' warrants to purchase 289,473 common shares at a price of $0.38 per share expiring March 11, 2012 and warrants to purchase 459,279 common shares at a price of $0.35 per share expiring March 11, 2012.

For the year ended August 31, 2011, the fair value of the finders' warrants, being $172,218 was determined using the Black Scholes option pricing model weighted average assumptions with a volatility of 80%, average risk free interest rate of 1.71%, expected life of 1.3 years and a dividend rate of 0%.

Year Ended August 31, 2010

On July 7, 2010, the Company completed a non-brokered private placement (the "Private Placement") of 9,000,000 units (the "Units") at $0.10 per Unit for gross proceeds of $900,000. Each Unit consists of one common share and one half of one non-transferable share purchase warrant. Each whole warrant will be exercisable into one additional common share of the Company at $0.20 per share until July 7, 2011.

In connection with the placement, the Company issued finders' warrants to purchase 425,000 common shares at a price of $0.20 per share expiring July 7, 2011. The fair value of the agent's warrants, being $8,253 was determined using the Black Scholes option pricing model with a volatility of 100%, risk free interest rate of 1.54%, expected life of 1 year, and a dividend rate of 0%.

The Company issued 2,000,000 common shares at $0.10 per common share to acquire the Property Option (Note 3).

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Escrow shares

The Company had 4,000,000 common shares which are subject to escrow agreements, 10% of which were released from escrow upon completion of the Company's Qualifying Transaction. An additional 15% are released from escrow every six months thereafter.

As at August 31, 2011, 2,400,000 (August 31, 2010 - 3,600,000) common shares are held in escrow.

Stock options

The Company has adopted a "rolling" stock option plan (the "Plan"), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. While the Plan is in effect there can never be more than 10% of the Company's issued and outstanding common shares reserved for issuance. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 5 years.

The stock options outstanding and transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Balance August 31, 2009	400,000	$ 0.10
Granted	900,000	0.25
Balance August 31, 2010	1,300,000	$ 0.20
Granted	2,225,000	0.24
Cancelled	(200,000)	0.25
Balance August 31, 2011	3,325,000	$ 0.23

The stock options outstanding at August 31, 2011 are as follows:

Number of Options	Exercise Price	Expiry Date
400,000	$ 0.10	January 25, 2013
700,000	0.25	August 4, 2015
1,475,000	0.26	January 20, 2016
750,000	0.20	August 22, 2016
3,325,000		

The number of stock options exercisable at August 31, 2011 is 3,325,000.

Stock-based compensation

The total stock-based compensation recognized and expensed during the year under the Black-Scholes option pricing method was $298,958 (2010 - $167,894).

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock-based compensation (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2011	2010
Risk-free interest rate	1.17%	1.50%
Expected life of options	5 years	5 years
Annualized volatility	80%	100%
Dividend rate	0.00%	0.00%
Weighted average fair value per option	$ 0.14	$ 0.19

Warrants

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance August 31, 2009	200,000	$ 0.10
Expired	(200,000)	0.10
Granted	4,925,000	0.20
Balance August 31, 2010	4,925,000	0.20
Granted	23,952,366	0.38
Canceled	(3,981,249)	0.20
Exercised	(943,751)	0.20
Balance August 31, 2011	23,952,366	$ 0.38

The share purchase warrants outstanding at August 31, 2011 are as follows:

Number of Warrants	Exercise Price	Expiry Date
6,477,391	0.35	December 7, 2011[(1)]
489,130	0.23	December 7, 2011[(1)]
126,000	0.30	December 7, 2011[(1)]
1,348,695	0.35	December 23, 2011
7,025,870	0.30	December 23, 2011
5,694,814	0.50	March 11, 2012
289,473	0.38	March 11, 2012
2,500,993	0.45	March 12, 2013
23,952,366		

(1) Subsequently expired unexercised.

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) The Company paid management fees of $145,000 (2010 - $10,000) to a companies controlled by a directors of the Company.

b) The Company paid consulting fees of $23,400 (2010 - $3,000) to an officer of the Company, which have been capitalized to exploration costs.

c) The Company paid consulting fees of $12,000 (2010 - $ nil) to a director of the Company.

d) The Company paid consulting fees of $nil (2010 - $12,500) to a former director of the Company.

e) The Company paid $Nil (2010 - $10,000) to a Company controlled by a director of the Company.

f) The Company paid $6,600 (2010 - $nil) for rent to a company with common directors.

At August 31, 2011, the Company paid consulting fees of $105,375 to a company with former common directors, of which $12,545 (2010 - $88,375) was capitalized to exploration costs.

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.

6. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		2011		2010
Loss before income taxes	$	(1,103,324)	$	(352,412)
Expected income tax recovery	$	(299,740)	$	(102,199)
Items not deductible for tax purposes		51,225		43,180
Unrecognized benefits of non-capital losses		(169,485)		59,019
Total income taxes	$	(418,000)	$	-

		2011		2010
Future income tax assets (liabilities):				
Mineral properties	$	(450,000)	$	-
Non-capital losses available for future periods		316,000		70,099
Share issue costs		102,000		14,863
		(32,000)		84,962
Valuation allowance		-		(84,962)
Net future income tax assets	$	(32,000)	$	-

6. INCOME TAXES (cont'd…)

The Company has incurred non-capital losses as at August 31, 2011 of approximately $126,500 which, if unutilized, will expire through 2031. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements and have been offset by a valuation allowance.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

The significant non-cash transactions during the year ended August 31, 2011 were as follows:

1) Issued 8,700,000 shares with a fair value of $2,162,500 for the acquisition of an interest in mineral properties.
2) Granted 1,889,752 finders' warrants with a fair value of $172,218 which was recorded as share issuance costs.
3) Included in mineral properties is $62,500 which is included in accounts payable and accrued liabilities.

The significant non-cash transactions during the year ended August 31, 2010 were as follows:

1) Issued 2,000,000 shares with a fair value of $200,000 for the acquisition of an interest in a mineral property.
2) Granted 425,000 agents' warrants with a fair value of $8,253 which was recorded as share issuance costs.

8. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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. In the management of capital, the Company includes components of shareholders' equity.

The Company does not have any externally or internally imposed capital requirements. The Company is currently dependent upon external financing to fund activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management regularly reviews its capital management approach and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended August 31, 2011 and 2010. The Company is not subject to externally imposed capital requirements.

9. SEGMENT INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. The Company conducts all of its operations in Canada, and the Company's property is located in Canada.

10. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

10. FINANCIAL INSTRUMENTS (cont'd…)

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's receivables are owed from the Federal Government of Canada as a result of Harmonized Sales Tax (HST) refunds. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2011, the Company had a cash balance of $4,215,050 (2010 - $474,629) to settle current liabilities of $92,980 (2010 - $10,000). All of the Company's financial liabilities have contracted maturities of less than 30 days and are subject to normal trade terms. The Company expects to fund these and future liabilities through use of the Company's cash balance and the issuance of capital stock.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of August 31, 2011, the Company has $4,250,000 in investment-grade short-term deposit certificates.

b) Foreign currency risk

Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company does not have any balances or transactions denominated in a foreign currency.

c) Price risk

The Company is exposed to price risk with respect to 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. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. SUBSEQUENT EVENTS

On September 15, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 2% NSR) in the Volhoffer Lake Project in northeast Saskatchewan. The Volhoffer Lake Project is comprised of two contiguous claims on the eastern margin of the uranium-rich Athabasca Basin. The Company can earn a 100% interest in the Project by paying an initial $55,000 and issuing 2,500,000 common shares to the Vendor on regulatory approval, by completing $5,000,000 in qualified exploration work on the Project within five years, and by making an additional cash payment of $1,200,000 on or before the fifth anniversary of the agreement. 1% of the NSR may be purchased by the Company for $1,200,000.

On November 23, 2011, the Company granted 250,000 stock options to purchase common shares at a price of $0.24 per common share for a period of five years to a consultant to the Company.