ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Unaudited Condensed Interim Financial Statements

Three Months Ended November 30, 2011

(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

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

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars – unaudited)

	Notes	**November 30, 2011**	August 31, 2011 (Note 17)	September 1, 2010 (Note 17)
ASSETS				
Current assets				
Cash and equivalents		$ 2,868,505	$ 4,215,050	$ 474,629
Receivables	4	244,669	147,806	20,486
Prepaids		10,420	14,625	55,375
Total current assets		3,123,594	4,377,481	550,490
Non-current assets				
Exploration and evaluation assets	5	5,482,812	3,736,841	452,350
TOTAL ASSETS		$ 8 ,606,406	$ 8,114,322	$ 1,002,840
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	6	$ 261,610	$ 92,980	$ 10,000
Other liabilities	7	159,631	298,386	-
Total current liabilities		421,241	391,366	10,000
Non-current liabilities				
Deferred tax liability	13	12,356	-	-
TOTAL LIABILITIES		433,597	391,366	10,000
SHAREHOLDERS' EQUITY				
Share capital	9	9,163,444	8,586,339	1,267,836
Contributed surplus		765,170	772,907	251,731
Accumulated deficit		(1,755,805)	(1,586,290)	(526,727)
TOTAL EQUITY		8,172,809	7,722,956	992,840
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 8,606,406	$ 8,114,322	**$** 1,002,840

Nature and continuance of operations (Note 1)

On behalf of the Board:

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

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

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars – unaudited)

	Notes	Three Months Ended November 30, 2011	Three Months Ended November 30, 2010 (Note 17)
EXPENSES			
Bank charges and interest		$ 1,417	$ 210
Consulting	11	35,869	44,500
Office and miscellaneous		7,306	1,342
Office rent	11	10,000	14,100
Professional fees		18,787	12,333
Management fees	11	37,500	15,000
Investor relations		67,198	23,990
Share-based payments	10	42,263	-
Transfer agent and filing fees		7,699	10,228
Travel and promotion		1,736	535
Loss before other item		(229,775)	(122,238)
OTHER INCOME			
Flow-through premium recognized		138,755	-
Interest income		10,965	-
Loss for the period before income taxes		(80,055)	(122,238)
Deferred tax expense		(89,460)	-
Net loss and comprehensive loss for the period		$ (169,515)	$ (122,238)
Basic and diluted loss per common share	8	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding		48,635,714	16,648,352

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

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars – unaudited)

	Share Capital				
	Number of Shares	Amount	Contributed Surplus	Accumulated Deficit	Total
Balance at September 1, 2010	15,000,000	$ 1,267,836	$ 251,731	$ (526,727)	$ 992,840
Share subscriptions received	-	16,264	-	-	16,264
Issuance for Webb River property	1,500,000	457,500	-	-	457,500
Issuance for McGregor Lake property	1,500,000	450,000	-	-	450,000
Net loss for the period	-	-	-	(122,238)	(122,238)
Balance at November 30, 2010	18,000,000	$ 2,191,600	$ 251,731	$ (648,965)	$ 1,794,366
Issuance for East Key Lake property	1,000,000	390,000	-	-	390,000
Issuance for Hodges Lake property	600,000	138,000	-	-	138,000
Issuance for Hamilton Lake property	600,000	96,000	-	-	96,000
Issuance for Keefe Lake property	3,500,000	595,000	-	-	595,000
Issuance on private placement	22,062,614	5,556,738	-	-	5,556,738
Share issuance costs	-	(633,229)	-	-	(633,229)
Issuance on warrant exercise	943,751	188,750	-	-	188,750
Issuance costs for agents' warrants	-	-	172,218	-	172,218
Share-based payment	-	-	298,958	-	298,958
Deferred tax assets recognized on share issue costs	-	63,480	-	-	63,480
Net loss for the period	-	-	-	(937,325)	(937,325)
Balance at August 31, 2011	46,706,365	$ 8,586,339	$ 722,907	$ (1,586,290)	$ 7,722,956
Issuance for Volhoffer Lake property	2,500,000	500,000	-	-	500,000
Share-based payment	-	-	42,263	-	42,263
Deferred tax assets recognized on share issue costs	-	77,105			77,105
Net loss for the period	-	-	-	(169,515)	(169,515)
Balance at November 30, 2011	**49,206,365**	**$ 9,163,444**	**$ 765,170**	**$ (1,755,805)**	**$ 8,172,809**

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

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars – unaudited)

	Three Months Ended November 30, 2011	Three Months Ended November 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (169,515)	$ (122,238)
Share based payments	42,263	-
Deferred income tax recovery	89,461	-
Other income	(138,756)	-
Changes in non-cash working capital items:		
Increase in receivables	(96,863)	(60,725)
Decrease in prepaids	4,205	10,045
Increase (decrease) in accounts payable and accrued liabilities	(30,055)	8,093
Net cash used in operating activities	(299,260)	(164,825)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(1,047,285)	(72,545)
Net cash used in investing activities	(1,047,285)	(72,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions received	-	16,264
Net cash provided by investing activities		16,264
Change in cash and equivalents during the period	(1,346,545)	(221,106)
Cash and equivalents, beginning of period	4,215,050	474,629
Cash and equivalents, end of period	$ 2,868,505	$ 253,523

Cash and cash equivalents consist of:

	2011	2010
Cash on deposit	$ 368,505	$ (34,950)
Guaranteed investment certificate	2,500,000	4,250,000
	$ 2,868,505	$ 4,215,050

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these condensed interim 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 5) 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 principal offices of the Company are located at 1040 – 885 West Georgia Street, Vancouver, BC V6C 3E8.

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 exploration and evaluation assets 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 unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At November 30, 2011, the Company had not yet achieved profitable operations, has accumulated losses of $1,755,805 since its inception and expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies and basis of preparation

The condensed interim financial statements were authorized for issue on February 24, 2012 by the Board of Directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The financial statements of the Company for the year ending August 31, 2012 will be prepared in accordance with IFRS, having been previously prepared in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These condensed interim financial statements for the three month period ended November 30, 2011 have been prepared in accordance with IFRS 1, "First-time Adoption of International Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

As these condensed interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

A summary of the Company's significant accounting policies under IFRS is presented below. These policies have been applied retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. The impact of the transition from pre-changeover Canadian GAAP to IFRS is explained in Note 17.

2. Significant accounting policies and basis of preparation (cont'd)

Statement of compliance and conversion to International Financial Reporting Standards *(cont'd)*

The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company's reporting currency and the functional currency of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Critical accounting estimates</u>

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the carrying value and the recoverability of the exploration and evaluation assets included in the Statements of Financial Position, the assumptions used to determine the fair value of share-based payments in the Statement of Comprehensive Loss, the valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities.

<u>Critical accounting judgments</u>

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

In accordance with IAS 21 *"The Effects of Changes in Foreign Exchange Rates"*, management determined that the functional currency of the Company is Canadian dollars, as this is the currency of the primary economic environment in which the company operates.

Cash and 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 at the date of purchase that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit and loss for the period.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Mineral Exploration and Evaluation Expenditures

a) Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment at each reporting date if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Property option agreements

From time to time, the Company may acquire or dispose of a property pursuant to the terms of a property option agreement. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2. Significant accounting policies and basis of preparation (cont'd)

Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized as its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and the Company's estimates are reviewed at the end of each reporting period for changes in regulatory requirements, effects of inflation and changes in estimates.

The Company had no asset retirement obligations as of November 30, 2011, August 31, 2011 and September 1, 2010.

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company' assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and equivalents are classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has not classified any of its investments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has classified investments and restricted investments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At November 30, 2011, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

2. Significant accounting policies and basis of preparation (cont'd)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. Significant accounting policies and basis of preparation (cont'd)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive loss was the same as net loss.

Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.

3. New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of November 30, 2011 and have not been applied in preparing these interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(Expressed in Canadian Dollars - unaudited)

3. New standards, amendments and interpretations not yet effective (cont'd)

New standard IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Receivables

	November 30, 2011	August 31, 2011	September 1, 2010
Interest receivable	$ 21,123	$ 27,682	$ 20,486
Value-added tax receivables	223,546	120,124	-
	$ 244,669	$ 147,806	$ 20,486

5. Exploration and evaluation assets

The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing. Ownership in mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from difficulties in obtaining conveyance in mineral interests.

The recoverability of the amount shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development, and future profitable production or disposition thereof.

(Expressed in Canadian Dollars - unaudited)

5. Exploration and evaluation assets (cont'd)

The Company's mineral properties consist of:

	McCarthy Lake	McGregor Lake	Keefe Lake (including Volhoffer Lake)	East Key Lake	Total
Balance, September 1, 2010	$ 452,350	$ -	$ -	$ -	$ 452,350
Interest in property	58,265	673,000	1,288,500	430,000	2,449,765
Consulting	46,545	43,500	59,250	15,750	165,045
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
Interest in property	-	-	626,112	-	626,112
Consulting	2,173	2,173	160,362	1,391	166,099
Drilling	-		953,760	-	953,760
Total additions	2,173	2,173	1,740,234	1,391	1,745,971
Balance, November 30, 2011	**$ 674,957**	**$ 1,006,508**	**$ 3,307,201**	**$ 494,146**	**$ 5,482,812**

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.

5. Exploration and evaluation assets (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 $475,500, 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 the 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.

Volhoffer Lake Project

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, comprised of two contiguous claims on the eastern margin of the Athabasca Basin. The Company paid consideration of $555,000, consisting of $55,000 cash and 2,500,000 common shares at a fair value of $500,000, fulfilling the initial commitment under the Volhoffer Lake Property option agreement. Additional commitments in order to fully exercise the option include the Company completing $5,000,000 in qualified exploration work on the Project on or before the fifth anniversary of the agreement and by making an additional cash payment of $1,200,000 within five years. 1% of the 2% NSR may be purchased from the vendor by the Company for $1,200,000.

Project Consolidation

As the Volhoffer Lake Project extends from the Company's Webb River Project to its Keefe Lake Project, these three projects were consolidated into one to form the larger Keefe Lake Project, which will now have an areal extent of over 32,000 contiguous hectares in the shallow southeastern region of the Athabasca Basin. There is no reduction in size to any of these three projects.

(Expressed in Canadian Dollars - unaudited)

5. Exploration and evaluation assets (cont'd)

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 $420,000 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 by the Company for $1,500,000.

6. Accounts payable and accrued liabilities

	November 30, 2011	August 31, 2011	September 1, 2010
Accounts payable	$ 221,610	$ 69,980	$ -
Accrued liabilities	40,000	23,000	10,000
	$ 261,610	$ 92,980	$ 10,000

7. Other Liabilities

Other liabilities include the liability resulting from the premium received for flow-through shares issued. The following is continuity schedule of this liability:

Flow-through Shares

	Issued on December 7, 2010	Issued on December 22, 2010	Issued on March 14, 2011	Total
Balance September 1, 2010	$ -	$ -	$ -	$ -
Liability incurred on flow-through shares issued	194,322	40,461	170,844	405,627
Settlement of flow-through share liability on incurring expenditures	(107,241)	-	-	(107,241)
Balance August 31, 2011	87,081	40,461	170,844	298,386
Settlement of flow-through share liability on incurring expenditures	(87,081)	(40,461)	(11,213)	(138,755)
Balance November 30, 2011	$ -	$ -	$ 159,631	$ 159,631

8. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three month period ended November 30, 2011 was based on the loss attributable to common shareholders of $169,515 (2010 - $122,238) and the weighted average number of common shares outstanding of 48,635,714 (2010 - 16,648,352).

Diluted loss per share did not include the effect of 3,575,000 stock options and 23,952,366 warrants as the effect would be anti-dilutive.

9. Share capital and Contributed surplus

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At November 30, 2011 there were 49,206,365 issued and fully paid common shares (August 31, 2011 – 46,706,365, September 1, 2010 - 15,000,000).

Please refer to the Interim Statement of Changes in Shareholders' Equity for a summary of changes in share capital and contributed surplus for the three months ended November 30, 2011. Contributed surplus relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements

For the Three Month Period Ended November 30, 2011

There were no private placements during the period.

For the Year Ended August 31, 2011

i) On December 23, 2010, the Company completed a non-brokered private placement, consisting of the issue and sale of 7,826,087 flow-through (FT) units at a price of $0.23 per flow-through unit, consisting of one flow through common share and one common share purchase warrant (FT Warrant); and 6,500,000 non-flow through (NFT) units at a price of $0.20 per unit, consisting of one non-flow through common share and one common share purchase warrant (NFT Warrant), for aggregate gross proceeds of $3,100,000. Each FT Warrant issued entitles the holder to purchase one common share at a price of $0.35 per share until December 7, 2011 and each NFT Warrant entitles the holder to purchase one common share at a price of $0.30 per share until December 23, 2011.

   In connection with the placement, the Company paid certain finders an aggregate cash commission of $166,490 and issued warrants to purchase an aggregate 489,130 common shares at an exercise price of $0.23 until December 7, 2011, and finder's compensation warrants entitling the finder to purchase an aggregate 651,870 common shares at an exercise price of $0.30 until December 23, 2011.

ii) 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%.

(Expressed in Canadian Dollars - unaudited)

9. Share capital 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 November 30, 2011 and August 31, 2011, 2,400,000 (September 1, 2010 - 3,600,000) common shares are held in escrow. The escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.

Warrants

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance September 1, 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 and November 30, 2011	23,952,366	0.38

The share purchase warrants outstanding at August 31, 2011 and November 30, 2011 are as follows:

Number of Warrants	Exercise Price	Expiry Date
6,477,391	0.35	December 7, 2011
489,130	0.23	December 7, 2011
126,000	0.30	December 7, 2011
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		

(Expressed in Canadian Dollars - unaudited)

10. Share-Based Payments

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 September 1, 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
Granted	250,000	0.24
Balance November 30, 2011	3,575,000	0.23

The stock options outstanding at November 30, 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
250,000	0.24	November 23, 2016
3,575,000		

The number of stock options exercisable at November 30, 2011 is 3,462,500.

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

The Company uses the Black-Scholes valuation model for stock options.

(Expressed in Canadian Dollars - unaudited)

10. Share-Based Payments (cont'd)

Stock-based compensation

The total stock-based compensation recognized and expensed during the three month period ended November 30, 2011 under the Black-Scholes option pricing method was $42,263 (2010 - $nil).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the three month period ended November 30:

	2011	2010
Risk-free interest rate	1.18%	-
Expected life of options	5 years	-
Annualized volatility	189.48%	-
Dividend rate	0.00%	-
Weighted average fair value per option	$0.15	-

11. Related party transactions

The Company entered into the following transactions with related parties:

	Three month periods ended	
	November 30, 2011	November 30, 2010
Management fees paid to a company controlled by the CEO	$ 15,000	$ 15,000
Management fees paid to a company controlled by the CFO	22,500	15,000
Consulting fees paid to officers of the company	10,200	4,500
Consulting fees paid to an officer of the company which have been capitalized to exploration costs	1,600	-
Rent to a company with common directors	-	6,600
	$ 49,300	$ 41,100

At November 30, 2011, included in accounts payable is $1,600 in consulting fees paid to a director which were capitalized to exploration costs (August 31, 2011 - consulting fees of $105,375 were paid to a company with former common directors, of which $12,545 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.

12. 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.

(Expressed in Canadian Dollars - unaudited)

13. Income taxes

The deferred income tax assets (liabilities) as at:

	November 30, 2011	August 31, 2011	September 1, 2010
Future income tax assets (liabilities):			
Mineral properties	$ (485,510)	$ (205,546)	$ -
Non-capital losses available for future periods	378,184	316,453	87,762
Share issue costs	94,970	101,999	14,863
	(12,356)	212,906	102,625
Valuation allowance	-	(212,906)	(102,625)
Net future income tax assets	$ (12,356)	$ -	$ -

14. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. 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's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis 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 three month period ended November 30, 2011. The Company is not subject to externally imposed capital requirements.

15. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and equivalents are classified as Level 1.

As at November 30, 2011, the carrying values of cash and equivalents, receivables and accounts payable and accrued liabilities, due to related parties and loans payable approximate their fair values due to their short terms to maturity.

Financial Risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At November 30, 2011, the Company’s exposure to credit risk is minimal

15. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at November 30, 2011, the Company had a cash balance of $2,868,505 (August 31, 2011 - $4,215,050, September 1, 2010 - $474,629) to settle accounts payable and accrued liabilities of $261,610 (August 31, 2011 - $92,980, September 1, 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.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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 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 November 30, 2011, the Company has $2,500,000 (August 31, 2011 - $4,250,000, September 1, 2010 - $nil) 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.

(Expressed in Canadian Dollars - unaudited)

16. Supplemental disclosure with respect to cash flows

The Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Three month periods ended	
	November 30, 2011	November 30, 2010
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

The significant non-cash transactions during the three months ended November 30, 2011 were as follows:

a) Issued 2,500,000 shares with a fair value of $500,000 for the acquisition of an interest in a mineral property.

b) Included in mineral properties is $261,185 which is included in accounts payable and accrued liabilities.

The significant non-cash transactions during the three months ended November 30, 2010 were as follows:

a) Issued 3,000,000 shares with a fair value of $810,000 for the acquisition of an interest in a mineral property.

17. Transition to IFRS

As stated in Note 2, these are the Company's first condensed interim financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the condensed interim financial statements for the three months ended November 30, 2011, the comparative information for the three months ended November 30, 2010, the financial statements for the year ended August 31, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, September 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the three months ended November 30, 2010 and financial statements for the year ended August 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with pre-changeover Canadian GAAP. Reconciliation between IFRS and the previous GAAP is presented in the following tables.

In addition, an explanation of how the transition from pre-changeover Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied.

17. Transition to IFRS (cont'd)

The Company has applied the following optional exemptions to its opening statement of financial position dated September 1, 2010:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before September 1, 2010, the Company's date of transition and such business combinations have not been restated.

- IFRS 2 *Share-based Payment* has not been applied to any equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before September 1, 2010.

The Company has applied the following mandatory exception to its opening statement of financial position dated September 1, 2010:

- The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods.

There were no adjustments required to the following statements and therefore no reconciliation has been provided.

- Statement of financial position – September 1, 2010
- Interim statement of financial position – November 30, 2010
- Interim statement of comprehensive income (loss) – three months ended November 30, 2010

A reconciliation to previously reported financial statements are noted below.

- Statement of financial position reconciliation – August 31, 2011
- Statement of comprehensive income (loss) reconciliation – year ended August 31, 2011

Reconciliation of pre-changeover Canadian GAAP to IFRS is included in the consolidated statement of financial position.

As there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

(Expressed in Canadian Dollars - unaudited)

17. Transition to IFRS (cont'd)

Reconciliation of statement of financial position

	As at August 31, 2011		
		Effect of transition	
	Canadian GAAP	Flow-through Shares	IFRS
ASSETS			
Current assets			
Cash	$ 4,215,050	$ -	$ 4,215,050
Receivables	147,806	-	147,806
Prepaids	14,625	-	14,625
Total current assets	4,377,481	-	4,377,481
Non-current assets			
Exploration and evaluation assets	3,736,841	-	3,736,841
Total non-current assets	3,736,841	-	3,736,841
TOTAL ASSETS	**$ 8,114,322**	**$ -**	**$ 8,114,322**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 92,980	$ -	$ 92,980
Other liabilities (Note 7)	-	298,386	298,386
Total current liabilities	92,980	298,386	391,366
Non-current liabilities			
Deferred tax liability	32,000	(32,000)	-
TOTAL LIABILITIES	124,980	266,386	391,366
EQUITY			
Share capital	8,478,486	107,853	8,586,339
Contributed surplus	722,907	-	722,907
Accumulated deficit	(1,212,051)	(374,239)	(1,586,290)
Total equity	7,989,342	(266,386)	7,722,956
TOTAL LIABILITIES AND EQUITY	**$ 8,114,322**	**$ -**	**$ 8,114,322**

(Expressed in Canadian Dollars - unaudited)

17. Transition to IFRS (cont'd)

Reconciliation of statement of comprehensive loss

	Year ended August 31, 2011		
		Effect of transition	
	Canadian GAAP	Flow-through Shares	IFRS
Expenses			
Accounting and audit	$ 43,485	$ -	$ 43,485
Bank charges and interest	1,387	-	1,387
Consulting	291,770	-	291,770
Office and miscellaneous	20,175	-	20,175
Office rent	36,600	-	36,600
Professional fees	28,214	-	28,214
Management fees	145,000	-	145,000
Investor relations	189,713	-	189,713
Share-based payment	298,958	-	298,958
Transfer agent and filing fees	64,666	-	64,666
Travel and promotion	12,445	-	12,445
Loss before other items	(1,132,413)	-	(1,132,413)
Other items			
Interest income	29,089	-	29,089
Other income	-	107,241	107,241
Loss before income taxes	(1,103,324)	107,241	(996,083)
Deferred tax recovery (expense)	418,000	(481,480)	(63,480)
Net loss and comprehensive loss for the year	$ (685,324)	$ (374,239)	$ (1,059,563)
Loss per common share, basic and diluted	**$ (0.02)**		**$ (0.03)**

Explanation for the adjustments is as follows:

A. Flow-through share

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. To the extent that there exists previously unrecognized deductible temporary differences available to offset the resulting deferred tax liability, these will be recognized in either equity or, profit or loss consistent with how these deductible differences originated.