athabascauraniuminc.

(An Exploration Stage Company)

Condensed Interim Financial Statements

Six months ended February 28, 2014

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

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)

	Notes		February 28, 2014		August 31, 2013
ASSETS					
Current assets					
Cash and equivalents		$	205,709	$	430,536
Receivables	4		15,423		22,028
Prepaids			888		11,340
Total current assets			222,020		463,904
Non-current assets					
Exploration and evaluation assets	5		8,949,931		8,918,931
TOTAL ASSETS		$	9,171,951	$	9,382,835
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	6,193	$	33,403
Other liabilities	6		-		-
Total current liabilities			6,193		33,403
Non-current liabilities					
Deferred tax liability			330,000		376,000
TOTAL LIABILITIES			336,193		409,403
SHAREHOLDERS' EQUITY					
Share capital			10,861,874		10,861,874
Reserves			950,784		950,784
Accumulated deficit			(2,976,900)		(2,839,226)
TOTAL SHAREHOLDERS' EQUITY			8,835,758		8,973,432
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	9,171,951	$	9,382,835

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)

	Notes	Three Months Ended February 28, 2014	Three Months Ended February 28, 2013	Six Months Ended February 28, 2014	Six Months Ended February 28, 2013
EXPENSES					
Bank charges and interest		$ 273	$ 516	$ 500	$ 915
Consulting	9	29,300	30,868	37,100	71,991
Investor relations		272	6,856	21,866	26,584
Management fees	9	37,500	37,500	75,000	75,000
Office and miscellaneous		8,463	9,836	18,909	16,905
Professional fees		875	5,230	3,822	15,796
Rent		9,000	11,989	18,000	20,000
Regulatory and filing fees		6,053	7,826	8,672	18,826
Travel		610	3,438	1,281	5,294
		92,346	114,059	185,150	251,311
Loss before other items		(92,346)	(114,059)	(185,150)	(251,311)
OTHER ITEMS					
Flow-through premium recognized	6	-	19,660	-	49,629
Interest income		809	485	1,973	1,010
Other expense		(497)	(2,803)	(497)	(2,803)
		312	17,342	1,476	47,836
Loss for the period before income taxes		(92,034)	(96,717)	(183,674)	(203,475)
Deferred tax (expense) recovery		20,000	(34,720)	46,000	(38,000)
Net loss and comprehensive loss for the period		$ (72,034)	$ (131,437)	$ (137,674)	$ (241,475)
Basic and diluted loss per common share	7	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares		68,529,580	56,706,365	68,529,580	56,706,365

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)

	Share Capital				
	Number of Shares	**Amount**	**Reserves**	**Accumulated Deficit**	**Total**
Balance at August 31, 2012	56,706,365	$ 10,117,784	$ 869,553	$ (2,491,255)	$ 8,496,082
Net loss for the period	-	-	-	(241,475)	(241,475)
Balance at February 28, 2013	56,706,365	$ 10,117,784	$ 869,553	$ (2,732,730)	$ 8,254,607
Issuance for Fisher River property	3,000,000	240,000	-	-	240,000
Issuance for private placement	8,823,214	617,625	-	-	617,625
Share issuance costs	-	(92,364)	-	-	(92,364)
Issuance costs for agents' warrants	-	(21,171)	21,171	-	-
Share-based payments	-	-	60,060	-	60,060
Net loss for the period	-	-	-	(106,496)	(106,496)
Balance at August 31, 2013	68,529,579	$ 10,861,874	$ 950,784	$ (2,839,226)	$ 8,973,432
Net loss for the period	-	-	-	(137,674)	(137,674)
Balance at February 28, 2014	**68,529,579**	**$ 10,861,874**	**$ 950,784**	**$ (2,976,900)**	**$ 8,835,758**

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)

	February 28, 2014	February 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (137,674)	$ (241,475)
Items not affecting cash		
Deferred income tax expense (recovery)	(46,000)	38,000
Flow-through premium recognized	-	(49,629)
Changes in non-cash working capital items:		
Decrease in receivables	6,606	13,531
(Increase) decrease in prepaids	10,451	(9,338)
Increase (decrease) in accounts payable and accrued liabilities	(27,210)	(25,936)
Net cash used in operating activities	(193,827)	(274,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(31,000)	(171,562)
Net cash used in investing activities	(31,000)	(171,562)
Change in cash and equivalents during the period	(224,827)	(446,409)
Cash and equivalents, beginning of period	430,536	804,703
Cash and equivalents, end of period	$ 205,709	$ 358,294

Cash and equivalents consist of:

	February 28, 2014	February 28, 2013
Cash on deposit	$ 15,709	$ 158,294
Guaranteed investment certificate	190,000	200,000
	$ 205,709	$ 358,294

Supplemental disclosure with respect to cash flows (Note 13)

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 trades on the TSX Venture Exchange under the symbol 'UAX'. The principal offices of the Company are located at Suite 1200 - 570 Granville Street, Vancouver, BC V6C 3P1.

The Company is in the business of exploring and developing mineral properties in Canada, particularly uranium. It has not yet determined whether its current suite of exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. The current market conditions and volatility may cast significant doubt upon the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds.

The financial statements were authorized for issue on March 19, 2014 by the Board of Directors of the Company.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Basis of measurement

The financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2013, except for the impact of the adoption of the accounting standards described below in Note 3. These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value and are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2013.

2. Basis of presentation (cont'd)

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>

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factor and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

<u>Critical accounting judgments</u>

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

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

3. New standards, amendments and interpretations not yet effective

The following new Standards were issued by the IASB, and are effective for annual periods beginning on or after January 1, 2013, with the exception of IFRS 9 which is effective January 1, 2015, and IAS 32 which is effective January 1, 2014.

i) *IFRS 10 Consolidated Financial Statements ("IFRS 10")*

IFRS 10 Consolidated Financial Statements will replace IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee based on changes in facts and circumstances. This standard has been adopted but has had no material impact on the financial statements.

ii) *IFRS 11 Joint Arrangements ("IFRS 11")*

IFRS 11 Joint Arrangements will replace IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities and now requires equity method accounting. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures. This standard has been adopted but has had no material impact on the financial statements.

iii) *IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")*

IFRS 12 Disclosure of Interests in Other Entities will replace the disclosure requirements currently found in IAS 28 Investment in Associates, and is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities, including information about the significant judgments and assumptions that it has made in determining whether it has control, joint control or significant influence in another entity. IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. This standard has been adopted but has had no material impact on the financial statements.

iv) *IAS 27 Separate Financial Statements ("IAS 27")*

The new IAS 27 Separate Financial Statements has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10. This standard has been adopted but has had no material impact on the financial statements.

v) *IAS 28 Investments in Associates and Joint Ventures ("IAS 28")*

The new IAS 28 Investments in Associates and Joint Ventures has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. This standard has been adopted but has had no material impact on the financial statements.

vi) *IFRS 13 Fair Value Measurement ("IFRS 13")*

IFRS is issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. This standard has been adopted but has had no material impact on the financial statements.

(Expressed in Canadian Dollars)

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

vii) IFRS 9 Financial Instruments ("IFRS 9")

In November 2009, the IASB published IFRS 9, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement". In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. The Company does not expect this standard to have a material impact on the financial statements, although additional disclosure may be required.

ix) IAS 32 Financial Instruments: Presentation ("IAS 32")

Amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities. The Company does not expect this standard to have a material impact on the financial statements, although additional disclosure may be required.

4. Receivables

	February 28, 2014	August 31, 2013
Interest receivable	$ 2,017	$ 1,988
GST receivable	11,925	18,560
Miscellaneous receivable	1,481	1,480
	$ 15,423	$ 22,028

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 exploration and evaluation assets 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 exploration and evaluation assets 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.

The Company's exploration and evaluation assets consist of:

	McCarthy Lake	McGregor Lake	Keefe Lake	East Key Lake	Fisher River	Total
Balance, August 31, 2012	$ 1,296,276	$ 1,006,508	$ 5,455,296	$ 494,146	$ -	$ 8,252,226
Interest in property	-	-	-	-	250,000	250,000
Assay	-	-	2,369	-	-	2,369
Consulting	-	33,040	242,186	-	46,610	321,836
Drilling	-	-	92,105	-	-	92,105
Geological	-	-	395	-	-	395
Total additions	-	33,040	337,055	-	296,610	666,705
Balance, August 31, 2013	1,296,276	1,039,548	5,792,351	494,146	296,610	8,918,931
Consulting	-	-	31,000	-	-	31,000
Balance, February 28, 2014	**$ 1,296,276**	**$ 1,039,548**	**$ 5,823,351**	**$ 494,146**	**$ 296,610**	**$ 8,949,931**

5. Exploration and evaluation assets (cont'd)

McCarthy Lake Project

The Company entered into a mineral property option agreement pursuant to which the Company obtained 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 initial 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 incurred the minimum of $200,000 in exploration expenditures on the McCarthy Lake Property within the first year of the agreement, satisfying the final condition to exercise the option and thereby acquiring the initial 50% of the McCarthy Lake Property. McCarthy Lake is subject to a 2.5% net smelter return royalty ("NSR"), 80% of which the Company has the option to purchase from the vendor at any time for $500,000.

On March 14, 2012, the Company completed the acquisition of the remaining 50% interest in its McCarthy Lake Project by paying $20,000 in cash and issuing 3,000,000 common shares at a value of $600,000 to the vendor. As a result, the Company owns 100% (subject to a 2.5% NSR) of the McCarthy Lake Project.

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 and to 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 $3,500,000 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.

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 and to 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

As the Volhoffer Lake, Webb River and Hamilton Lake properties are contiguous with the Company's Keefe Lake property, these four properties are considered to be one cash-generating unit, the Keefe Lake Project, described as follows:

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 and to 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 by the Company from the vendor for $1,500,000.

5. Exploration and evaluation assets (cont'd)

Keefe Lake Project (cont'd)

On May 13, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in and to 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 and to the mineral rights underlying the prospective uranium property known as 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.

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 and to the mineral rights underlying the prospective uranium property known as the Volhoffer Lake Property, 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 Property on or before the fifth anniversary of the agreement and by making an additional cash payment of $1,200,000 within five years. One-half of the 2% NSR may be purchased by the Company from the vendor for $1,200,000.

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 and to 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 by the Company for $1,500,000.

Fisher River Project

On May 7, 2013, the Company entered into a mineral property option agreement pursuant to which the Company has the option to purchase a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Fisher River Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid consideration of $250,000 to an arm's length vendor, consisting of $10,000 cash and 3,000,000 common shares at a fair value of $240,000, fulfilling the initial commitment under the Fisher River option agreement. Additional commitments in order to fully exercise the option to purchase 100% of Fisher River include the Company making an additional cash payment of $500,000 on or before the fourth anniversary of the Agreement. One-half of the 1% NSR may be purchased by the Company for $1,000,000.

(Expressed in Canadian Dollars)

6. Other liabilities

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

Flow-through Shares

		Issued on August 24, 2012
Balance August 31, 2012	$	71,617
Settlement of flow-through share liability on incurring expenditures		(71,617)
Balance, August 31, 2013 and February 28, 2014	$	-

On August 24, 2012, the Company completed a private placement consisting of the issue and sale of 3,200,000 flow through shares at a price of $0.15 per flow-through share for aggregate gross proceeds of $480,000.

7. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended February 28, 2014 was based on the loss attributable to common shareholders of $nil (2013 - $nil) and the weighted average number of common shares outstanding at February 28, 2014 of 68,529,579 (2013 - 56,706,365).

Diluted loss per share did not include the effect of 4,325,000 stock options and 5,097,464 warrants as the effect would be anti-dilutive.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At August 31, 2013 and February 28, 2014, there were 68,529,579 issued and fully paid common shares.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the period ended February 28, 2014. Reserves relates to stock options, agent's options, and compensatory warrants that have been issued by the Company.

(Expressed in Canadian Dollars)

8. Share capital (cont'd)

Private placements

Six month period ended February 28, 2014

During the six month period ended February 28, 2014, there were no share issuances.

Year ended August 31, 2013

On April 19, 2013, the Company completed a private placement of 8,823,214 units at a price of $0.07 per unit for gross proceeds of $617,625. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.13 per share for a period of one year from the date of closing.

In connection with the placement, the Company paid certain finders an aggregate cash commission of $92,364 and issued 685,857 finder's warrants. Each finder's warrant entitles a finder to purchase a common share of the Company at an exercise price of $0.08 per share until April 19, 2014.

The fair value of the finders' warrants, being $21,171 was determined using the Black Scholes option pricing model weighted average assumptions with a volatility of 76.3%, average risk free interest rate of 0.97%, expected life of 1 year and a dividend rate of 0%.

Warrants

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, August 31, 2012	2,981,103	$ 0.39
Granted	5,097,464	0.12
Expired	(2,981,103)	(0.39)
Balance, August 31, 2013 and February 28, 2014	5,097,464	$ 0.12

The share purchase warrants outstanding at February 28, 2014 are as follows:

Number of Warrants	Exercise Price	Expiry Date
4,411,607	$ 0.13	April 19, 2014
685,857	$ 0.08	April 19, 2014
5,097,464		

(Expressed in Canadian Dollars)

8. Share capital (cont'd)

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, 2012	4,325,000	$ 0.22
Granted	1,250,000	0.10
Expired	(400,000)	(0.10)
Cancelled	(850,000)	(0.24)
Balance, August 31, 2013 and February 28, 2014	4,325,000	$ 0.19

The stock options outstanding and exercisable at February 28, 2014 are as follows:

Number of Options – outstanding	Number of Options - exercisable	Exercise Price	Expiry Date
600,000	600,000	$ 0.25	August 4, 2015
975,000	975,000	$ 0.26	January 20, 2016
550,000	550,000	$ 0.20	August 22, 2016
250,000	250,000	$ 0.24	November 23, 2016
200,000	200,000	$ 0.20	May 2, 2017
500,000	500,000	$ 0.15	July 10, 2017
1,250,000	1,250,000	$ 0.10	May 28, 2018
4,325,000	4,325,000		

(Expressed in Canadian Dollars)

9. Related party transactions

The Company entered into the following transactions with related parties:

	Six Months Period Ended February 28, 2014	Six Months Period Ended February 28, 2013
Management fees paid to a company controlled by the CEO	$ 30,000	$ 30,000
Management fees paid to a company controlled by the CFO	45,000	45,000
Consulting fees paid to a company controlled by an officer of the Company	6,000	7,500
Fees paid to a director of the Company	6,000	9,000
Consulting fees paid to an officer of the company which have been capitalized to exploration costs	-	1,500
	$ 87,000	$ 93,000

The remuneration of key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company during the periods ended February 28, 2014 and 2013 is as follows:

	Six Months Period Ended February 28, 2014	Six Months Period Ended February 28, 2013
Management fees paid to companies controlled by the CEO and CFO	$ 75,000	$ 75,000
Fees paid to a director	6,000	9,000
	$ 81,000	$ 84,000

10. 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 components of shareholders' equity. 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 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 period ended February 28, 2014. The Company is not subject to externally imposed capital requirements.

11. 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 February 28, 2014, the carrying values of cash and equivalents, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

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 accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of 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 a high quality financial institution. At February 28, 2014, the Company's exposure to credit risk is minimal.

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 February 28, 2014, the Company had a cash balance of $205,709 (August 31, 2013 - $430,536) to settle accounts payable and accrued liabilities of $6,193 (August 31, 2013 - $33,403). 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. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(Expressed in Canadian Dollars)

11. Financial risk management (cont'd)

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 February 28, 2014, the Company has $190,000 (August 31, 2013 - $200,000) 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.

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.

13. Supplemental disclosure with respect to cash flows

	Periods ended	
	February 28, 2014	**February 28, 2013**
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions during the period ended February 28, 2014 and 2013.