HOMELAND URANIUM INC.

Consolidated Financial Statements

Years ended December 31, 2011 and 2010

(Stated in $CAD)

Collins Barrow
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Homeland Uranium Inc.

We have audited the accompanying consolidated financial statements of Homeland Uranium Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Homeland Uranium Inc. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Homeland Uranium Inc.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
April 30, 2012

HOMELAND URANIUM INC.
Consolidated Statements of Financial Position
As at December 31, 2011, December 31, 2010 and January 1, 2010
(Stated in $CAD)

	December 31 2011	December 31 2010 **Note 19**	January 1 2010 **Note 19**
ASSETS			
Current:			
Cash	**$ 4,783**	$ 24,413	$ 4,337,215
Accounts receivable and prepaid expenses	**34,364**	62,752	70,532
Restricted cash (Note 4)	**26,881**	127,340	-
Investments (Note 5)	**367,787**	1,178,986	-
	433,815	1,393,491	4,407,747
Long term:			
Restricted cash (Note 4)	**-**	-	162,742
Investments (Note 5)	**-**	-	2,222,332
Property and equipment (Note 6)	**30,487**	116,451	284,442
	$ 464,302	$ 1,509,942	$ 7,077,263
LIABILITIES			
Current:			
Accounts payable and accrued liabilities (Note 8)	**$ 464,799**	$ 264,025	$ 232,038
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital (Note 10)	**19,887,111**	19,737,111	18,751,611
Contributed surplus	**8,535,186**	8,535,186	2,509,190
Reserve for warrants (Note 11)	**-**	-	6,395,996
Reserve for share based payments (Note 12)	**2,020,545**	2,012,355	1,990,307
Accumulated deficit	**(30,382,491)**	(28,989,822)	(22,801,879)
Accumulated other comprehensive income (loss)	**(60,848)**	(48,913)	-
	(497)	1,245,917	6,845,225
	$ 464,302	$ 1,509,942	$ 7,077,263

Going concern (Note 1)

Commitments and contingencies (Note 18)

Subsequent events (Note 10(d))

See accompanying notes

Approved on behalf of the Board:

"Nick Tintor", Director   *"Stephen Coates"*, Director

HOMELAND URANIUM INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2011 and 2010

(Stated in $CAD)

	2011	2010 Note 19
Revenue		
Realized gain on FVTPL securities	$ **71,139**	$ -
Interest income	**867**	12,007
Gain on spin-off of Southern Andes Energy Inc. (Note 5(a)(v)(2))	**-**	6,370,646
Unrealized gain on FVTPL securities	**-**	573,764
Gain on disposal of property and equipment	**-**	44,503
	72,006	7,000,920
Expenses		
Unrealized loss on FVTPL securities	**797,163**	-
Exploration expenditures	**269,967**	837,802
Corporate and investor relations	**215,937**	364,633
Professional fees	**89,631**	183,869
Depreciation	**48,467**	42,411
Loss on property and equipment	**16,762**	-
Office and administration	**16,596**	115,560
Share based payments (Note 12)	**8,190**	22,048
Foreign exchange loss	**1,962**	4,788
Realized loss on FVTPL securities	**-**	367,239
	1,464,675	1,938,350
Income (loss) from continuing operations before income taxes	**(1,392,669)**	5,062,570
Income taxes		
Deferred (Note 9)	**-**	(772,000)
Net income (loss) from continuing operations	**(1,392,669)**	5,834,570
Loss from discontinued operations (Note 5(a)(v)(1))	**-**	515,653
Net income (loss)	$ **(1,392,669)**	$ 5,318,917
Basic and diluted income (loss) from continuing operations per share (Note 13)	$ **(0.02)**	$ 0.09
Comprehensive income (loss)		
Net income (loss)	$ **(1,392,669)**	$ 5,318,917
Exchange differences on translation of foreign operations	**(11,935)**	(48,913)
Comprehensive income (loss)	$ **(1,404,604)**	$ 5,270,004

See accompanying notes

HOMELAND URANIUM INC.
Consolidated Statements of Changes in Shareholders' Equity
Period from January 1, 2010 to December 31, 2011
(Stated in CAD)

		Share Capital							
	Note	Number of shares	Amount	Contributed surplus	Reserve for warrants	Reserve for share based payments	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2010 (Note 19)		**46,072,448**	**$ 18,751,611**	**$ 2,509,190**	**$ 6,395,996**	**$ 1,990,307**	**$ (22,801,879)**	**$ -**	**$ 6,845,225**
Private placement, net of share issue costs	10	20,000,000	985,500	-	-	-	-	-	**985,500**
Escrow share cancellation	10	(3,600,000)	-	-	-	-	-	-	**-**
Share based payments		-	-	-	-	22,048	-	-	**22,048**
Paid up capital reduction effect of spin-out of Southern Andes	5	-	-	-	-	-	(12,112,961)	-	**(12,112,961)**
Tax charge on Southern Andes spin-out		-	-	-	-	-	(402,000)	-	**(402,000)**
Expiry of warrants	11	-	-	6,395,996	(6,395,996)	-	-	-	**-**
Income tax recovery recognized on expired warrants		-	-	(370,000)	-	-	-	-	**(370,000)**
Other comprehensive income from discontinued operations	5	-	-	-	-	-	-	1,008,100	**1,008,100**
Reclassification of other comprehensive income	5	-	-		-	-	1,008,100	(1,008,100)	**-**
Net income (loss) for the year		-	-	-	-	-	5,318,918	-	**5,318,918**
Currency translation adjustment		-	-	-	-	-	-	(48,913)	**(48,913)**
Balance at December 31, 2010 (Note 19)		**62,472,448**	**19,737,111**	**8,535,186**	**-**	**2,012,355**	**(28,989,822)**	**(48,913)**	**1,245,917**
Private placement	10	20,000,000	150,000	-	-	-	-	-	**150,000**
Share based payments		-	-	-	-	8,190	-	-	**8,190**
Currency translation adjustment		-	-	-	-	-	-	(11,935)	**(11,935)**
Net loss for the year		-	-	-	-	-	(1,392,669)	-	**(1,392,669)**
Balance at December 31, 2011		**82,472,448**	**$ 19,887,111**	**$ 8,535,186**	**$ -**	**2,020,545**	**$ (30,382,491)**	**$ (60,848)**	**$ (497)**

See accompanying notes

HOMELAND URANIUM INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2011 and 2010
(Stated in $CAD)

	2011	2010 Note 19
Operating activities		
Net income (loss) from continuing operations	$ **(1,392,669)**	$ 5,834,570
Add (deduct) items not affecting cash:		
Gain on spin-off of Southern Andes Energy Inc.	**-**	(6,370,646)
Depreciation	**48,467**	111,563
Income tax recovery	**-**	(772,000)
Share based payments	**8,190**	22,048
Loss (gain) on disposal of property and equipment	**16,762**	(44,503)
Unrealized loss (gain) on FVTPL securities	**797,163**	(573,764)
Realized loss (gain) on FVTPL securities	**(71,139)**	367,239
Unrealized foreign exchange loss	**(11,935)**	(25,683)
	(605,161)	(1,451,176)
Change in non-cash working capital items		
Accounts receivable and prepaid expenses	**28,388**	7,780
Accounts payable and accrued liabilities	**200,774**	31,988
	(375,999)	(1,411,408)
Investing activities		
Proceeds on sale of FVTPL securities	**85,175**	-
Proceeds from sale of property and equipment	**20,735**	77,704
Decrease in restricted cash	**100,459**	35,402
Investment in Southern Andes Energy Inc. (Note 5(a)(v)(4))	**-**	(4,000,000)
	206,369	(3,886,894)
Financing activities		
Net proceeds from issuance of share capital	**150,000**	985,500
Decrease in cash	**(19,630)**	(4,312,802)
Cash, beginning of year	**24,413**	4,337,215
Cash, end of year	$ **4,783**	$ 24,413

See accompanying notes

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

Homeland Uranium Inc. (the "company") is a company engaged in the business of evaluation and exploration of uranium resource properties, currently in Niger, West Africa. The company, incorporated in December, 2006 under the Ontario Business Corporations Act, is a reporting issuer subject to the rules and regulations of the Ontario Securities Commission. As a reporting issuer only, its shares do not trade on any stock exchange.

(b) Going concern

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplate the realization of assets and settlement of liabilities and commitments in the ordinary course of business.

The company has spending commitments under the terms of its concessions in Niger *(see notes 7(a) and 18)*. Failure to spend the minimum expenditure requirements by August, 2012 as required under the terms of the renegotiated concession agreements could result in termination of those agreements and the loss of associated rights thereunder. In addition, failure to maintain an ongoing administrative presence in Niger could also result in termination of the concession agreements. No adjustment to the carrying value of the Niger concessions would be required as the company has chosen to expense all exploration expenditures under IFRS *(see note 19(I)(a))*.

As the company has no operating revenues or other sources of cash flow and currently has a working capital deficiency of $30,984 (December 31, 2010 - surplus of $1,129,466, January 1, 2010 - surplus of $4,175,709), its ability to maintain its Canadian head office operations and an administrative office in Niger over the next 12 months will be dependent upon its ability to (1) raise further equity for the company through private placements (as was done in May, 2011 and again in February, 2012 *(per note 10)* and/or (2) sell its interest in its investments *(see note 5)*.

While management believes that it will be able to secure the necessary financing to continue operations into the future, there is no certainty that these and other strategies will be sufficient to permit the company to continue beyond the foreseeable future as such strategies are dependent upon continued support of its shareholder base. The accompanying consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary should the going concern assumption become inappropriate. These adjustments could be material to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the company comply with International Financial Reporting Standards ("IFRS"). The significant policies are detailed as follows:

(a) Statement of compliance

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2011. The Board of Directors approved the consolidated financial statements on April 30, 2012. These are the company's first annual consolidated financial statements prepared in accordance with IFRS. The 2010 consolidated financial statements include an opening balance sheet as at January 1, 2010, the date at which the impact of IFRS transition was recorded against equity, in accordance with the provisions of IFRS 1 "First Time Adoption of International Financial Reporting Standards" and the 2010 comparative statements were prepared using the same basis of accounting. A detailed reconciliation of the consolidated financial statements prepared under Canadian generally accepted accounting principles ("Canadian GAAP") and the comparative 2010 IFRS financial information is presented in Schedules 1 to 4 (*note 19*).

(b) Basis of presentation

The consolidated financial statements are prepared on the historical cost basis except the financial assets classified as fair value through profit and loss ("FVTPL").

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and in preparing an opening IFRS balance sheet at January 1, 2010 for the purpose of transition to IFRS.

(c) Consolidation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Homeland Uranium, Inc. ("US sub"), a Utah company, Pan African Uranium Corp. ("Ontario sub"), an Ontario company, and Uranium International Limited Niger ("Niger sub"), a branch of the Ontario sub.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Functional currency and foreign currency translation

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada. The functional currency of the Niger and USA subsidiaries are the West African CFA and US dollar respectively.

Foreign currency translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate with all foreign currency adjustments being expensed.

Financial statements of the subsidiaries, for which the functional currency is not the Canadian dollar, are translated into Canadian dollars, the functional currency of the parent, as follows: all asset and liability accounts (including non-monetary and capital items) are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income. Intercompany advances are not expected to be repaid in the near future.

(e) Mineral properties

As permitted under IFRS, all acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Property and equipment

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and depreciated separately. Depreciation is computed using the straight-line and declining balance methods based on the estimated useful life of the assets. Subsequent to initial recognition, the cost model is applied to property and equipment. The company has elected not to apply the option provided by IFRS 1 regarding the re-measurement, as at January 1, 2010, of its property and equipment at their fair value.

The company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation is provided at rates calculated to write off the cost of property and equipment less their estimated residual value on a straight-line basis, over the estimated useful lives of each part of an item of property and equipment, as follows:

Exploration equipment	Straight-line	3 to 5 years
Automotive equipment	Straight-line	3 to 5 years
Furniture and fixtures	Straight-line	10 to 20 years
Computer and office equipment	Straight-line	2 to 5 years

The company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment and any changes arising from the assessment are applied by the company prospectively.

(g) Financial instruments

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

Financial assets

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

Financial assets classified as FVTPL are measured at fair value, with any resultant gain or loss recognized in the statement of loss and comprehensive loss. Financial instruments classified as being available-for-sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities. 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 method. The effective interest 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 exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss.

Financial instrument classifications

The company has made the following classifications:

Cash	FVTPL

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

Accounts receivable	Loans and receivables
Investments	FVTPL
Restricted cash	FVTPL
Accounts payable and accrued liabilities	Other liabilities

(h) Impairment of non-financial assets

The company continually reviews and evaluates the events or changes in the economic environment that indicate a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash-generating unit ("CGU") level which is the smallest identifiable group of assets that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of the CGU's fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the CGU.

(i) Provisions

A provision is recognized on the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site-related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. Provisions for rehabilitation are periodically adjusted by the company, when applicable. There are no material obligations at December 31, 2011, December 31, 2010 and January 1, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(j) Deferred taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount in the consolidated statement of financial position.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact either earnings or tax income or loss.

Current tax and deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

(k) Share based payments

The company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The related reserve for the share based payment amount is transferred to capital stock when the options are exercised.

For equity settled transactions, the company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the company measures their value by reference to the fair value of the equity instruments granted.

(l) Earnings (loss) per share

Basic earnings (loss) per share amounts are calculated by dividing net earnings (loss) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net profit attributable to common share holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive instruments. None of the options or warrants are dilutive in nature.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) Measurement uncertainty

The preparation of consolidated financial statements in compliance with IFRS requires the company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Measurement of impairment in assets - In determining carrying values and impairment charges the company looks at recoverable amounts, defined as the higher of value in use or fair value less cost to sell in the case of assets, and at objective evidence that identifies significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Environmental rehabilitation provision - Provisions for rehabilitation require judgement as to the time frame and amounts required to successfully complete such rehabilitations given factors such as weather conditions, the success of replanting efforts and limitations on access to the relative area of exploration.

Functional currency - The functional currency for the company and subsidiaries is the currency of the primary economic environment in which each operates: Canadian Dollar, US Dollar and West African CFA. Determination of functional currency may require certain judgements to determine the primary economic environment. The company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

(n) Accumulated other comprehensive income (loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Certain gains and losses arising from changes in fair value are temporarily recorded outside the consolidated statement of operations in accumulated comprehensive income as a separate component of shareholders' equity. Other comprehensive income (loss) may include any unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the currency used for presentation and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of taxes.

3. ADOPTION OF NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the company's financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the company has consistently adopted all these new standards for the relevant reporting periods. At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods:

• **IFRS 9** - 'Financial Instruments: Classification and Measurement' – effective date extended to January 1, 2015, addresses the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method to be used.
• **IFRS 11** - 'Joint Arrangements' - establishes the principles for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. It requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method whereas for a joint operation the venture will be accounted for using the proportionate consolidation method.
• **IFRS 12** - 'Disclosure of Interests in Other Entities' - requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
• **IFRS 13** - 'Fair Value Measurement' - provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
• **IAS 19** - 'Employee Benefits' amends the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires remeasurement of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases the disclosure.
• **IFRIC 20** - 'Stripping Costs in the Production Phase of a Surface Mine' applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 permits capitalization of stripping costs if all of the three criteria are met: probability of economic benefit, identifiability of ore body and measurability of stripping costs. IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities.

The company has not early adopted these standards, amendments and interpretations. However, management is currently assessing the impact of their application in the consolidated financial statements of the company.

4. Restricted Cash

Certain cash balances are restricted as they relate to deposits with state regulatory authorities in the United States to secure various reclamation guarantees with respect to mineral properties in Utah and Colorado. As these licenses were not renewed by December 31, 2010, the company is in the process of obtaining final release of these funds. As these funds are not available for general corporate purposes, they have been separately disclosed.

During 2011, $100,459 of these deposits were returned to the company after successful completion of the regulatory requirements.

5. Investments

The company's investments, all considered FVTPL, are carried at market value and comprised of the following:

	December 31 2011		December 31 2010		January 1 2010	
	$	Shares	$	Shares	$	Shares
Southern Andes Energy Inc.	**367,787**	2,372,819	1,161,486	2,497,819	-	-
Homeland Energy Group Ltd.	**-**	-	17,500	250,000	25,000	250,000
Macusani Yellow Cake Inc.	**-**	-	-	-	2,197,332	7,619,047
	367,787		1,178,986		2,222,332	

During 2011, the company sold 125,000 shares of Southern Andes Energy Inc. and all of its position in Homeland Energy Group Ltd. for gross proceeds of $85,175.

The 2010 investment transactions are detailed below:

(a) **Investment in Southern Andes Energy Inc. (2010)**

(i) On May 14, 2010, pursuant to the signing of a letter of intent in March 2010 with Solex Resources Corp. ("Solex"), an unrelated entity, the company acquired from Solex 81,654,442 common shares of Solex for consideration of $4 million in cash and approximately 7.6 million common shares of Macusani Yellowcake Inc. ("Macusani") representing a 12.7% interest in Macusani as well as a right to purchase the shares issuable if the company exercises up to approximately 4.57 million Macusani warrants.

(ii) The transaction was conditional on obtaining an agreement with Eldorado Gold Company on certain aspects of this transaction as well as the approval by not less than a majority of the votes cast by Solex shareholders. These conditions were later met and on May 14, 2010, the company announced the closing of the transaction whereupon it gained control of Solex. The company received 81,654,442 (pre-consolidation) common shares of Solex, giving it a majority ownership stake, and received the right to nominate four directors to the Solex board, with former Solex shareholders having the right to nominate two directors to the board and the right to name the Solex CEO. The shareholders of Solex also proposed a name change of the company to Southern Andes Energy Inc. ("Southern Andes") and a proposed 3:1 share consolidation plan effective May 17, 2010. The issued

5. INVESTMENTS, CONTINUED

and outstanding shares of Southern Andes were consolidated to 53,659,709 with the company owning 27,218,147 shares (a 50.7% ownership interest).

(iii) Following a review of various alternative manners in which the company could have distributed the Southern Andes shares to its shareholders, management recommended to the Board that distributing the Southern Andes shares to shareholders as part of a reduction of stated capital (the "Reduction in Capital") would be the most efficient and advantageous of such alternatives, including from a tax perspective.

Consequently, on October 27, 2010, the Board of Directors approved, among other matters, the convening of a special meeting of shareholders to be held on December 15, 2010 for the purpose of submitting to shareholders for their approval a special resolution authorizing the distribution of a majority of the Southern Andes shares as part of reduction of the stated capital of the company's common shares. The Reduction in Capital Resolution was approved by the company's shareholders at that special meeting.

(iv) Following shareholder and regulatory approval, the company distributed 24,720,328 shares of Southern Andes to its shareholders. Following the return of capital, the company retained 2,497,819 shares of Southern Andes (a 4.65% ownership interest).

(v) For accounting purposes, the substance of the initial acquisition and the subsequent return of capital are characterized as follows:

(1) For the period from the acquisition (May 14, 2010) to the subsequent return of capital (December 15, 2010), the results of operations of Southern Andes have been consolidated by virtue of the company's ability to control the operations of Southern Andes during that ownership period, as evidenced by its 50.7% ownership interest and related control of the Board. The company recorded net loss and other comprehensive income of $515,653 and $1,008,100 respectively during this control period with a corresponding increase in its carrying value (prior to the return of capital).

(2) The company followed 'IFRIC 17 – Distributions of Non-Cash Assets to Owners' in accounting for this transaction. In accordance with this guidance, a dividend of $12,112,961 ($0.49 per share) was recorded. The dividend was based on the fair value of the distribution, determined using the trading price of the Southern Andes common shares immediately following the date of spinoff. The difference between the fair value of the dividend and the carrying value of the assets and liabilities of Southern Andes ($6,370,646) was recognized as a gain in the consolidated statement of income for the year ended December 31, 2010.

(3) Subsequent to December 15, 2010, the company's residual 9.2% interest in Southern Andes constitutes a financial asset that has been designated as FVTPL. The carrying value has been increased by $581,261 as of year-end and recognized through the consolidated statements of loss.

(4) In summary, the Southern Andes investment continuity for fiscal 2010 was as follows:

Cash consideration	$	4,000,000

5. INVESTMENTS, CONTINUED

Carrying value of Macusani (see note 5(c))	1,830,093
Acquisition cost of Southern Andes	5,830,093
Net loss to December 15, 2010	(515,653)
Other comprehensive income to December 15, 2010	1,008,100
Carrying value prior to spin-out	6,322,540
Reduction in investment from spin-out	(5,742,315)
Carrying value after spin-out	580,225
Increase in carrying value (as FVTPL)	581,261
Carrying value as at December 31, 2010	$ 1,161,486

(Stated in CAD)

6. PROPERTY AND EQUIPMENT

	Computer equipment $	Automotive equipment $	Furniture & fixtures $	Exploration equipment $	Total $
Cost					
As at January 1, 2010	141,662	265,118	81,225	136,637	624,642
Additions	2,656	0	0	0	2,656
Disposals	(17,480)	(196,795)	(5,622)	0	(219,897)
Currency adjustment	(10,121)	(23,080)	(6,755)	(13,303)	(53,259)
As at December 31, 2010	116,717	45,243	68,848	123,334	354,142
Disposals	(20,267)	(23,489)	(34,385)	(28,203)	(106,345)
Currency adjustments	(1,170)	753	(547)	(1,556)	(2,520)
As at December 31, 2011	95,279	22,507	33,916	93,574	245,276
Accumulated depreciation					
As at January 1, 2010	81,625	173,528	28,690	56,357	340,200
Depreciation	28,942	47,201	10,851	24,730	111,725
Disposals	(13,564)	(170,368)	(3,233)	0	(187,166)
Currency adjustment	(3,329)	(15,750)	(2,216)	(5,774)	(27,069)
As at December 31, 2010	93,674	34,611	34,092	75,313	237,690
Depreciation	12,865	2,202	8,998	22,056	46,121
Disposals	(13,883)	(14,654)	(14,570)	(19,773)	(62,880)
Currency adjustment	(2,458)	348	(958)	(3,073)	(6,141)
As at December 31, 2011	90,198	22,507	27,561	74,524	214,789
Net book value					
As at January 1, 2010 **(Note 19)**	60,037	91,590	52,536	80,279	284,442
As at December 31, 2010 **(Note 19)**	23,043	10,631	34,757	48,020	116,451
As at December 31, 2011	5,081	0	6,355	19,050	30,487

7. MINERAL PROPERTIES

(a) **Niger concessions:**

(i) The company was granted three year uranium exploration concessions in January 2007 and approved by a governmental order on May 31, 2007. The eight concessions are located in the Agadez-Arlit district of northern Niger and are held in the name of Uranium International Limited Niger, a branch of the company's Ontario subsidiary.

On June 7, 2010, the government of Niger agreed to extend this agreement a further 27 months to August 31, 2012 under the same terms and conditions.

(ii) The key terms of the agreement include:

(a) 50% of the concessions must be relinquished on or before November 30, 2012.;
(b) a minimum expenditure of US$2,125,000 per concession during the grant period (see note 18)
(c) a 10% free carried interest for the state in the mining phase with an option to acquire an additional 30% at market value;
(d) exemptions during the exploration period include:
- value added tax
- corporate income tax
- income tax for expatriate employees
- land tax
- licence contribution
- mining flat tax and other registration fees
- import duties on certain equipment and spare parts
(e) a sliding scale mining royalty between 5.5% to 12% of the market value of production on FOB terms
(f) exemptions during the mining phase include:
- value added tax until the date of production
- taxes on industrial/business profits for three years from production
- land and mining flat taxes indefinitely
- import duties on certain equipment and spare parts.

(iii) During 2011, the company expended a further $313,175 (2010 - $455,450) on the acquisition, exploration and development of mineral properties in Niger. As at December 31, 2011, the cumulative net expenditures on these properties were $11,928,161 (2010 - $11,614,986).

(iv) Although the company has taken steps to verify title to the mineral properties on which it is conducting exploration and in which it has an interest, these procedures do not guarantee the company's title. Although management is not aware of any such agreements, transfers or defects, property title may be subject to unregistered prior agreements, claims or transfers and title may be affected by undetected defects. Assets located outside of North America are subject to the risk of foreign investment, including currency exchange fluctuations and restrictions and local political instability and uncertainty.

7. MINERAL PROPERTIES, CONTINUED

The company faces risks and uncertainties including: (i) the inability to obtain the financing necessary to complete the development of its properties, (ii) realization of proceeds from the sale of its properties, or (iii) the company's licenses, permits or concessions being revoked as a result of title disputes, a failure to comply with agreements or security issues preventing the safe exploration and development of any properties under license. Specifically, the company has encountered many delays during the execution of its Niger project due to events and circumstances beyond its control. The government of Niger has acknowledged these delays as "force majeure" and has granted the company an extension to its current concessions until August 31, 2012 to compensate for the lost time, essentially giving it a further two years to comply with its original spending requirements.

(b) **US properties:**

(i) During the year ended December 31, 2009, the company did not renew the mining leases of four properties. These properties consisted of CNX, Norma Jean, and Tex in the state of Colorado and the Deremo West property in Utah.

(ii) During 2010, the company expended a further $360,024 on the acquisition, exploration and development of mineral properties in the US. As at December 31, 2010, the cumulative net expenditures on these properties were $8,406,860.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2011	December 31 2010	January 1 2010
Balances made up of:			
Trade accounts payable and accruals	**$ 403,370**	$ 206,858	$ 216,962
Payroll related	**61,429**	57,167	15,076
	$ 464,799	$ 264,025	$ 232,038

As part of the private placement completed in February, 2012, $42,250 of accounts payable and accrued liabilities were settled in exchange for common shares.

9. INCOME TAXES

(a) The company has no current or deferred tax assets or liabilities for 2011 or 2010.

(b) The company's effective tax rate differs from the Canadian statutory rate as follows:

	2011	2010
Statutory rate	**28%**	31%
Non deductible expenses	**(15)%**	(32)%
Losses not recognized (recognized)	**(13)%**	16%
Effective tax rate	**0%**	15%

(c) The effective tax rate for 2010 recognizes a notional income tax benefit for tax losses to the extent of notional income tax recognized as expenses in shareholders' equity on the expiry of warrants and the paid-up capital reduction during that year. The 2011 statutory tax rate differs from the 2010 statutory tax rate due to enacted reductions in statutory rates.

(d) The company has Canadian tax losses of $5,725,000 (2010 - $4,829,000) that expire between 2026 and 2031, and other deductible temporary differences totaling $5,988,000 (2010 - $6,186,000). The benefits of these losses and other tax deductions have not been recognized in these consolidated financial statements.

10. SHARE CAPITAL

(a) The company is authorized to issue an unlimited number of common shares.

(b) In June, 2010, the company closed a non-brokered private placement financing of 20,000,000 common shares at $0.05 per common share for gross proceeds of $1 million. The common shares were subject to a four-month hold period in accordance with requisite securities laws. A finder's fee of 5% payable in cash was paid on a portion of the private placement to qualified finders. The net proceeds of the financing amounted to $985,500.

(c) In February 2007, the company agreed to issue 4,000,000 common shares in return for services rendered towards a prospective acquisition nicknamed the "Lighthouse Project". 400,000 of these common shares were issued without condition while the remaining 3,600,000 common shares were held in escrow on condition that the said acquisition was formally accomplished before June 26, 2010. For the purposes of these consolidated financial statements, 400,000 shares issued without condition has been accounted at $92,000 with the balance having no assigned value. On June 26, 2010, the condition to release the escrow had not materialized and the remaining 3,600,000 shares were cancelled.

(d) In May, 2011, the company closed a non-brokered private placement financing of 20,000,000 common shares at $0.0075 per common share for cash proceeds of $150,000. The common shares were subject to a four-month hold period in accordance with requisite securities laws.

(e) In February, 2012, the company closed a non-brokered private placement financing of 55,000,000 common shares at $0.005 per common share gross proceeds of $275,000. Of the total proceeds, $214,150 were received in cash, and the balance of $60,850 were used to retire existing accounts payable. The common shares were subject to a four-month hold period in existing accounts payable. The common shares were subject to a four-month hold period in accordance with requisite securities laws.

11. WARRANTS

(a) In 2007, the company closed a brokered private placement consisting of 28,434,100 units for gross proceeds of $22,747,280. Each unit was convertible into one common share of the company and one half of one common share purchase warrant of the company. Each whole common share purchase warrant of the company entitled the holder to purchase one additional common share of the company at an exercise price of $1.25 per share during the following 24 month period. In conjunction with this funding, the agent and other brokers were issued 1,898,353 broker warrants. Each broker warrant entitled the holder to purchase one additional common share of the company and one half of one common share purchase warrant of the company during the following 24 month period. A value of $4,776,929 was ascribed to the common share purchase warrants based on their fair value as determined using the Black-Scholes option valuation method. Similarly, a value of $1,057,383 was ascribed to the broker warrants for a total valuation of $5,834,312.

(b) In June, 2009, the company extended the expiry of the 14,217,050 then-outstanding common share purchase warrants by up to one year such that they expired by June 19, 2010. In addition, the common share purchase warrants exercise price was amended from $1.25 to $0.80 per warrant resulting in an increase in the value attributed to these warrants of $1,619,067.

(c) In 2009, the broker warrants expired unexercised. In 2010, the common share purchase warrants also expired unexercised.

12. STOCK OPTIONS

The company has adopted a stock option plan under which it may grant options to purchase shares of the company. There were no new options granted during 2010 and 2011, all outstanding options as at December 31, 2011 are fully vested and numerous options have been cancelled as the respective option holder's rights have expired under the terms of the relevant agreement. The following summary sets out the activity in outstanding stock options:

	2011	2010
Outstanding, beginning of year	**3,940,000**	4,090,000
Cancelled	**(1,660,000)**	(150,000)
Outstanding, ending of year	**2,280,000**	3,940,000

Number of stock options	Remaining contractual life	Exercise price per share	Expiry date
1,530,000	0.4	0.25	May 7, 2012
750,000	1.2	0.25	March 6, 2013
2,280,000			

As at December 31, 2011 and 2010, all outstanding options were exercisable. During the year, the company recognized $8,190 (2010 - $22,048) of share based payments.

13. LOSS PER SHARE

The weighted average number of shares outstanding for the 2011 year is 74,856,010 (2010 - 56,179,845). Diluted loss per share is the same as basic loss per share as all options and warrants are anti-dilutive.

14. FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, currency and fair value). Risk management is carried out by the company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The company's credit risk is primarily attributable to accounts receivable and cash. Financial instruments included in accounts receivable consist of miscellaneous accounts receivable and accrued interest and deposits held with consultants and other service providers. As at December 31, 2011, cash of $4,783 (December 31, 2010 - $24,413, January 1, 2010 - $4,337,215) is held with reputable financial institutions from which management believes the risk of loss to be minimal. All accounts receivable and reclamation deposits held by US banks and US government departments are in good standing. As of December 31, 2011, a total of $21,570 (December 31, 2010 - $60,367, January 1, 2010 - $60,367) represented the maximum credit exposure on accounts receivable. Management believes that the credit risk concentration with respect to accounts receivable is negligible.

(b) **Liquidity risk**

Liquidity risk refers to the risk that the company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost (see note 1(c)). The company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due, and as such, the company has classified its investments as current. As at December 31, 2011, the company has negative working capital of $30,984 (December 31, 2010 - $1,129,466, January 1, 2010 - $4,175,709). All of the company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

14. FINANCIAL INSTRUMENTS, CONTINUED

(c) Currency risk

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in foreign exchange would have an impact on consolidated earnings.

(d) Market risk

The company is exposed to certain market risks including changes in pricing and limited access to foreign markets. Specifically, the carrying value of its investments, all of which are classified as FVTPL ("fair value through profit or loss"), are adjusted every period for any changes in their quoted trading prices.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As the company has minimal or no cash balances that earn interest and no interest-bearing debt, its interest rate risk is considered nominal.

(f) Sensitivity analysis

As at December 31, 2011, December 31, 2010 and January 1, 2010, the carrying and fair value amounts of the company's financial instruments are approximately equivalent.

i) The company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The company funds certain operations, exploration and administrative expenses in Niger and the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The company maintains US dollar bank accounts in Canada and the United States. The company is exposed to foreign currency risk on fluctuations of financial instruments that are denominated in US dollars and West African francs (CFA's) related to cash, restricted cash, accounts receivable, investments and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive income by $28,000.

ii) The company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their December 31, 2011 fair market value positions, the net loss and/or comprehensive income would have varied by approximately $37,000.

14. FINANCIAL INSTRUMENTS, CONTINUED

(g) **Fair value hierarchy**

The following summarizes the methods and assumptions used in estimating the fair value of the company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, restricted cash and marketable securities. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per their fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The fair value of the company's financial instruments where financial measurement is required are as follows:

	December 31 2011	December 31 2010	January 1 2010
Level 1			
Cash	**$ 4,783**	$ 24,413	$ 4,337,215
Restricted cash	**$ 26,881**	$ 127,340	$ 162,742
Investments	**$ 367,787**	$ 1,178,986	$ 2,222,332

15. CAPITAL MANAGEMENT

The company's objective when managing capital is to maintain adequate levels of funding to support development of its exploration projects, to expand regional exploration activities within Niger and to maintain corporate and administrative functions. The company considers its capital to be equity, which is comprised of share capital, contributed surplus, reserve for warrants, reserve for share based payments, accumulated deficit and accumulated other comprehensive loss, which at December 31, 2011 was $(497) (December 31, 2010 - $1,245,917, January 1, 2010 - $6,845,225) (see note 1(c)). The company manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements.

There can be no assurances that the company will be able to continue raising equity capital in this manner. 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. 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 have been no changes in the company's approach to capital management since the year-end. The company is not subject to externally imposed capital requirements.

16. SEGMENTED INFORMATION

The company conducts its business in a single operating segment consisting of the exploration activities in Niger, where all mineral properties and equipment are situated.

17. RELATED PARTY TRANSACTIONS

The company has transacted with related parties pursuant to service arrangements in the ordinary course of business, as follows:

(a) The company paid consulting fees of $14,000 ($3,500 per month for a period of four months) to the CEO of the company (2010 - $NIL). Starting in July, 2011, that compensation was added to the overall compensation of the company described in note 17(b-i).

(b) Management and administrative services:

  (i) Starting in January, 2011, the company paid $6,500 per month to Grove Capital Group Ltd., a company controlled by an officer and director, for management and administrative services, including compensation for the CFO, corporate secretary, office rent and regular administrative functions. Starting in July, 2011, the fee was increased to $10,000 per month as the compensation of the CEO was assumed by Grove Capital. Total fees paid during the year totalled $99,000 (2010 - $NIL). Accounts payable and accrued liabilities as at December 31, 2011 includes $33,900 owing to this party (including applicable HST).

  (ii) Starting in June, 2010, these services were provided by Southern Andes Energy Inc. at a monthly rate of $4,000 (total of $28,000) at a a time when the companies shared common management and office premises. Southern Andes Energy Inc. received $9,250 in early 2011 during the transition to the new management team.

(c) An amount of $30,000 (2010 - $NIL) was paid to a company owned by the CFO for incremental services provided during the year. Accounts payable and accrued liabilities as at December 31, 2011 includes $33,900 owing to this party (including applicable HST).

(d) The company paid consulting fees of $NIL (2010 - $2,000) to a former director.

(e) Rental income of $NIL (2010 - $4,995) was received from a company controlled by a director.

(f) A company controlled by a director received consulting fees of USD $39,000 during 2011 relating to the administration of the wind-down of the affairs of the company's US subsidiary. In 2010, this individual received a salary from the company's US subsidiary on the basis of his full time employment there in the ordinary course of business. Accounts payable and accrued liabilities as at December 31, 2011 includes USD $9,000 owing to this party.

18. COMMITMENTS AND CONTINGENCIES

The company is committed to spend a minimum of USD $300,000 per concession before November 30, 2008 (USD $2,400,000 for the eight concessions). For the periods ending November 30, 2009 and 2010, the annual expenditures are increased to USD $500,000 and USD $1,325,000 respectively per concession (USD $4,000,000 and USD $10,600,000 for the eight concessions). The concession licenses have since been extended to August 31, 2012. To date, the company has spent approximately $ 6,120,000 (excluding pre-operational expenditures) on the eight Niger concessions.

The company has encountered many delays during the execution of its Niger project due to events or circumstances beyond the company's control. The government of Niger has acknowledged these delays as "force majeure" and has pledged to grant the company an extension to its current contract to compensate for the lost time.

In addition, the company has agreed to make three annual cash payments to the government for the purpose of training Niger nationals equivalent to USD $10,000 per concession or USD $80,000 per year for its eight concessions as part of minimum spending commitments. To date, one of these payments has been made and the other two have been accrued. The company is contingently liable for an additional two years of annual training fees during the extension period described above, the results of which are dependant upon negotiations with the Niger government for renewal of the concessions.

19. FIRST TIME ADOPTION OF IFRS (SEE SCHEDULES 1 TO 4 ATTACHED)

Under IFRS 1 'First time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities from those stated under GAAP taken to retained earnings unless certain exemptions are applied. The company has followed the recommendations in IFRS-1 'First-time adoption of IFRS', in preparing its transitional statements. IFRS 1 provides specific one-time choices and mandates specific one-time exceptions with respect to first-time adoption of IFRS.

(I) **Choices available at first-time adoption IFRS that the company has adopted include:**

(a) Property and equipment: IFRS 1 provides a choice between measuring property and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The company has decided to continue to apply the cost model for property and equipment and has not restated property and equipment to fair value under IFRS. The historical bases under Canadian GAAP have been designated as the deemed cost under IFRS at Transition Date.

(b) Foreign exchange: Retrospective application of IFRS would require recalculation of cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or associate was formed or acquired. Alternatively, IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date of January 1, 2010. The company has elected to reset all cumulative translation gains and losses to zero in opening retained earnings at January 1, 2010.

(c) Share-based payments: IFRS 2, Share Based Payments, permits the application of that standard only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2010. As permitted, the company has applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

(d) Mining properties: IFRS 6, Exploration for and Evaluation of Mineral Properties, permits entities to continue to use their existing accounting policies for exploration and evaluation assets. The company will take an exemption provided by IFRS 6.7 in developing its accounting policies and will apply section 10 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, as required by IFRS 6.6. As a result of this policy choice, the company is required to expense all of its previously capitalized exploration and evaluation expenditures at the transition date (see also note 2(d)) and Schedule 1). The company will not continue to capitalize exploration expenditures and will adopt a policy choice where all exploration and acquisition costs of unproven resources are expensed as it believes that this policy results in information that is:

(e) Business combinations: IFRS 3, Business Combinations may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to January 1, 2010. The company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2010 and such business combinations will not be restated.

(II) **Explanatory notes to the following IFRS reconciliations (see Schedules 1 to 4 attached) are as follows**:

(a) *Under Canadian GAAP* – Prior to 2011, the company used the policy to defer the cost of mineral properties and their related exploration and development costs until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS – Acquisition, exploration and evaluation expenditures for each property can be expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale. All mining property expenditures capitalized and related deferred taxes up to December 31, 2009 have been charged to deficit as at January 1, 2010.

(b) *Under Canadian GAAP* - Financial statements of the company's integrated foreign operations are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities denominated in foreign currencies are translated at current rates of exchange with the resultant gains or losses recognized in the consolidated statement of loss, while non-monetary items are translated at historical rates of exchange. Expenses are converted at the average rate for the year.

Under IFRS - The results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position, income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognized as a separate component of shareholders' equity.

(c) *Under Canadian GAAP* – Prior to 2011, the company recorded the value of share based payments issued to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for share based payments" and any other component of shareholders' equity.

(d) *Under Canadian GAAP* – The spin-out of Southern Andes Inc. represented a non-monetary non-reciprocal transfer to the company's shareholders and was measured at the carrying amount of the investment with a corresponding reduction to deficit.

Under IFRS – 'IFRIC 17 – Distributions of Non-Cash Assets to Owners' was used to account for this transaction. In accordance with this guidance, a dividend based on the fair value of the distribution, determined using the trading price of the Southern Andes common shares immediately following the date of spinoff, was recorded. The difference between the fair value of the dividend and the carrying value of the Southern Andes investment was recognized as a gain in the consolidated statement of income for the year ended December 31, 2010.

HOMELAND URANIUM INC.

Schedules to Consolidated Financial Statements
Years ended December 31, 2011 and 2010
(Stated in $CAD)

FIRST TIME ADOPTION OF IFRS

Schedule 1: Reconciliation of Consolidated Statement of Financial Position

as at January 1, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS	FS Note 19
	$	$	$	
ASSETS				
Current:				
Cash	4,337,215	-	4,337,215	
Accounts receivable	70,532	-	70,532	
	4,407,747	-	4,407,747	
Long term:				
Restricted cash	162,742	-	162,742	
Investments	2,222,332	-	2,222,332	
Property and equipment	258,320	26,122	284,442	**II(b)**
Mineral properties	11,886,823	(11,886,823)	-	**II(a)**
	18,937,964	(11,860,701)	7,077,263	
LIABILITIES				
Current:				
Accounts payable and accrued liabilities	232,038	-	232,038	
Long term:				
Future income taxes	2,150,000	(2,150,000)	-	**II(a)**
	2,382,038	(2,150,000)	232,038	
SHAREHOLDERS' EQUITY				
Share capital	18,751,611	-	18,751,611	
Contributed surplus	4,499,497	(1,990,307)	2,509,190	**II(c)**
Reserve for warrants	6,395,996		6,395,996	
Reserve for share based payments	-	1,990,307	1,990,307	**II(c)**
Accumulated deficit	(13,091,178)	(9,710,701)	(22,801,879)	**II(a),(b)**
	16,555,926	(9,710,701)	6,845,225	
	18,937,964	(11,860,701)	7,077,263	

HOMELAND URANIUM INC.

Schedules to Consolidated Financial Statements
Years ended December 31, 2011 and 2010
(Stated in $CAD)

FIRST TIME ADOPTION OF IFRS

Schedule 2: Reconciliation of Consolidated Statement of Financial Position

as at December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS	FS Note 19
	$	$	$	
ASSETS				
Current:				
Cash	24,413	-	24,413	
Accounts receivable	62,752	-	62,752	
Restricted cash	127,340	-	127,340	
Investments	1,178,986	-	1,178,986	
	1,393,491	-	1,393,491	
Long term:				
Property and equipment	116,560	(109)	116,451	**II(b)**
Mineral properties	11,614,986	(11,614,986)	-	**II(a)**
	13,125,037	(11,615,095)	1,509,942	
LIABILITIES				
Current:				
Accounts payable and accrued liabilities	264,025	-	264,025	
Long term:				
Future income taxes	1,900,000	(1,900,000)	-	**II(a)**
	2,164,025	(1,900,000)	264,025	
SHAREHOLDERS' EQUITY				
Share capital	19,737,111	-	19,737,111	
Contributed surplus	10,547,541	(2,012,355)	8,535,186	**II(c)**
Reserve for share based payments	-	2,012,355	2,012,355	**II(c)**
Accumulated deficit	(19,323,640)	(9,666,182)	(28,989,822)	**II(a),(b),(d)**
Accumulated other comprehensive loss	-	(48,913)	(48,913)	**II(b)**
	10,961,012	(9,715,095)	1,245,917	
	13,125,037	(11,615,095)	1,509,942	

HOMELAND URANIUM INC.

Schedules to Consolidated Financial Statements
Years ended December 31, 2011 and 2010
(Stated in $CAD)

FIRST TIME ADOPTION OF IFRS

Schedule 3: Reconciliation of Consolidated Statement of Loss and Comprehensive Loss

for the year ended December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS	FS Note 19
	$	$	$	
Revenue				
Gain on spin-out of Southern Andes Energy Inc.	-	6,370,646	6,370,646	II(d)
Unrealized gain on held-for-trading securities	573,764	-	573,764	
Foreign exchange gain	222,533	(227,321)	(4,788)	II(a),(b)
Gain on disposal of property and equipment	44,503	-	44,503	
Interest income	12,007	-	12,007	
	852,807	6,143,325	6,996,132	
Expenses				
Impairment of mineral properties	1,087,311	(1,087,311)	-	II(a)
Exploration expenditures	-	913,550	913,550	II(a)
Realized loss on held-for-trading securities	367,239	-	367,239	
Corporate and investor relations	288,885	-	288,885	
Professional fees	183,869	-	183,869	
Project development	98,076	(98,076)	-	II(a)
Office and administration	115,560	-	115,560	
Depreciation	42,411	-	42,411	
Share based payments	22,048	-	22,048	
	2,205,399	(271,837)	1,933,562	
Loss from discontinued operations before income taxes	(1,352,592)	6,415,162	5,062,570	
Income tax recovery	(772,000)	-	(772,000)	
Net loss from continued operations	(580,592)	6,415,162	5,834,570	
Loss from discontinued operations	515,653	-	515,653	
Net earnings (loss)	(1,096,245)	6,415,162	5,318,917	
Basic and diluted earnings (loss) per share	(0.01)	0.09	0.07	
Other comprehensive earnings (loss)				
Net earnings (loss)	(1,096,245)	6,415,162	5,318,917	
Exchange differences on translating foreign operations	-	(48,913)	(48,913)	II(b)
	(1,096,245)	6,366,249	5,270,004	

HOMELAND URANIUM INC.
Schedules to Consolidated Financial Statements
Years ended December 31, 2011 and 2010
(Stated in $CAD)

FIRST TIME ADOPTION OF IFRS

Schedule 4: Reconciliation of Consolidated Statement of Cash Flows

for the year ended December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS	FS Note 19
	$	$	$	
Operating activities				
Net loss from continuing operations	(580,592)	6,415,162	5,834,570	**II(d)**
Add (deduct) items not affecting cash				
Gain on spin-out of Southern Andes Energy Inc.	-	(6,370,646)	(6,370,646)	**II(d)**
Amortization	42,411	69,152	111,563	**II(a)**
Impairment of mineral properties	1,087,311	(1,087,311)	-	**II(a)**
Income tax recovery	(772,000)	-	(772,000)	
Share based payments	22,048	-	22,048	
Gain on disposal of property and equipment	(44,503)	-	(44,503)	
Foreign exchange gain on future tax liability	(250,000)	250,000	-	**II(a)**
Realized loss on FVTPL securitues	367,239	-	367,239	
Unrealized gain on FVTPL securitues	(573,764)	-	(573,764)	
Unrealized foreign exchange losses	-	(25,683)	(25,683)	**II(b)**
	(701,850)	(749,326)	(1,451,176)	
Change in non-cash working capital balances				
Accounts receivable and prepaid expenses	7,780	-	7,780	
Accounts payable and accrued liabilities	31,988	-	31,988	
	(662,082)	(749,326)	(1,411,408)	
Financing activities				
Net proceeds from issuance of share capital	985,500	-	985,500	
Investing activities				
Mineral properties expenditures	(749,326)	749,326	-	**II(a)**
Proceeds from sale of property and equipment	77,703		77,703	
Decrease in restricted cash	35,402		35,402	
Investment in Southern Andes	(4,000,000)	-	(4,000,000)	
	(4,636,221)	749,326	(3,886,895)	
Decrease in cash	(4,312,803)	-	(4,312,803)	
Cash, beginning of period	4,337,215	-	4,337,215	
Cash, end of period	24,412	-	24,412	