HOMELAND URANIUM INC.

Consolidated Financial Statements

Years ended December 31, 2010 and 2009

(Stated in $CAD)

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Homeland Uranium Inc.

We have audited the accompanying consolidated financial statements of Homeland Uranium Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss, deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 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. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
May 2, 2011

HOMELAND URANIUM INC.
Consolidated Balance Sheets
As at December 31, 2010 and 2009
(Stated in $CAD)

	2010	2009
ASSETS		
Current:		
Cash	$ 24,413	$ 4,337,215
Accounts receivable and prepaid expenses	62,752	70,532
Restricted cash (Note 4)	127,340	-
Investments (Note 5)	1,178,986	-
	1,393,491	4,407,747
Long term:		
Restricted cash (Note 4)	-	162,742
Investments (Note 5)	-	2,222,332
Capital assets (Note 6)	116,560	258,320
Mineral properties (Note 7)	11,614,986	11,886,823
	$ 13,125,037	$ 18,937,964
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	$ 264,025	$ 232,038
Long term:		
Future income taxes (Note 8)	1,900,000	2,150,000
	2,164,025	2,382,038
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	19,737,111	18,751,611
Contributed surplus (Note 10)	10,547,541	4,499,497
Warrants (Note 11)	-	6,395,996
Deficit	(19,323,640)	(13,091,178)
	10,961,012	16,555,926
	$ 13,125,037	$ 18,937,964

Commitments (Note 18)

See accompanying notes

Approved on behalf of the Board:

"Nick Tintor", Director

"Stephen Coates", Director

HOMELAND URANIUM INC.
Consolidated Statements of Loss
Years ended December 31, 2010 and 2009
(Stated in $CAD)

	2010	2009
Revenue		
Unrealized gain on held-for-trading securities	$ **573,764**	$ 86,363
Foreign exchange gain	**222,533**	183,323
Gain on disposal of capital assets	**44,503**	-
Interest income	**12,007**	149,370
Other income	**-**	50,000
	852,807	469,056
Expenses		
Impairment of mineral properties (Note 7(b)(ii))	**1,087,311**	3,310,114
Realized loss on held-for-trading securities	**367,239**	169,313
Corporate and investor relations	**288,884**	670,357
Professional fees	**182,584**	207,555
Project development	**114,075**	105,331
Office and administration	**100,846**	176,499
Depreciation	**42,411**	60,933
Stock based compensation (Notes 10 and 12)	**22,048**	613,625
Loss on disposal of capital assets	**-**	34,441
	2,205,398	5,348,168
Loss from continued operations before income taxes	**(1,352,591)**	(4,879,112)
Income taxes		
Recovery (Note 8)	**(772,000)**	(175,000)
Net loss from continued operations	**(580,591)**	(4,704,112)
Loss from discontinued operations (Note 5(a)(v)(1))	**515,653**	-
Net loss	$ **(1,096,244)**	$ (4,704,112)
Basic and diluted loss per share (Note 13)	$ **(0.02)**	$ (0.10)
Basic and diluted loss per share from continued operations	$ **(0.02)**	$ (0.10)

See accompanying notes

HOMELAND URANIUM INC.
Consolidated Statements of Comprehensive Loss
Years ended December 31, 2010 and 2009
(Stated in $CAD)

	2010	2009
Comprehensive income (loss)		
Net loss	**$ (1,096,244)**	$ (4,704,112)
Other comprehensive income from discontinued operations (Note 5(a)(v)(1))	**1,008,100**	-
Reclassification to deficit	**(1,008,100)**	-
Comprehensive income (loss)	**$ (1,096,244)**	$ (4,704,112)

HOMELAND URANIUM INC.
Consolidated Statements of Deficit
Years ended December 31, 2010 and 2009
(Stated in $CAD)

	2010	2009
Deficit, beginning of year	**$ (13,091,178)**	$ (6,767,999)
Net loss	**(1,096,244)**	(4,704,112)
Paid-up capital reduction effect of spin-out of Southern Andes (Note 5(a)(v))	**(5,742,318)**	-
Tax charge on Southern Andes spin-out (Note 8)	**(402,000)**	-
Modification to warrants (Note 11(b))	**-**	(1,619,067)
Reclassification of other comprehensive income from discontinued operations	**1,008,100**	-
Deficit, ending of year	**$ (19,323,640)**	$ (13,091,178)

See accompanying notes

HOMELAND URANIUM INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2010 and 2009
(Stated in $CAD)

	2010	2009
Operating activities		
Net loss from continuing operations	$ **(580,591)**	$ (4,704,112)
Add (deduct) items not affecting cash:		
Depreciation	**42,411**	60,933
Impairment of mineral properties	**1,087,311**	3,310,114
Income tax recovery	**(772,000)**	(175,000)
Stock based compensation	**22,048**	613,625
Loss (gain) on disposal of capital assets	**(44,503)**	34,441
Unrealized gain on held-for-trading securities	**(573,764)**	(86,363)
Realized loss on held-for-trading securities	**367,239**	169,313
Interest on loan to Homeland Energy Group Ltd.	**-**	(90,413)
Other income	**-**	(50,000)
Foreign exchange gain on future income tax liability	**(250,000)**	(300,000)
	(701,849)	(1,217,462)
Change in non-cash working capital items		
Accounts receivable and prepaid expenses	**7,780**	1,019,875
Accounts payable and accrued liabilities	**31,988**	(739,774)
	(662,081)	(937,361)
Investing activities		
Purchase of capital assets	**-**	(5,492)
Mineral properties expenditures	**(749,326)**	(2,626,211)
Proceeds from sale of capital assets	**77,703**	35,916
Decrease in restricted cash	**35,402**	268,098
Investment in Southern Andes Energy Inc. (Note 5(a)(v)(4))	**(4,000,000)**	-
	(4,636,221)	(2,327,689)
Financing activities		
Proceeds from issuance of share capital (net of issuance costs)	**985,500**	-
Loan to Homeland Energy Group Ltd.	**-**	(2,500,000)
	985,500	(2,500,000)
Decrease in cash	**(4,312,802)**	(5,765,050)
Cash, beginning of year	**4,337,215**	10,102,265
Cash, end of year	$ **24,413**	$ 4,337,215

See accompanying notes

1. NATURE OF OPERATIONS

(a) Homeland Uranium Inc. (the "company") is a development company engaged in the business of acquisition and exploration of uranium resource properties, currently in Niger, West Africa and formerly in Colorado and Utah, USA *(see note 7(b))*. 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) As the company is a development stage enterprise, it has not yet determined whether its properties contain reserves that are economically recoverable and the ability to recover amounts from these properties is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying properties, the ability of the company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition of the properties. The company is considered to be a development stage enterprise as it has yet to generate significant revenue from operations.

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.

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. Such risks and uncertainties discussed above could result in a material write down of the mineral properties

(c) The Canadian dollar is the functional currency of the company's business.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) 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. They also include the results of Southern Andes Energy Inc. during the period of control in 2010 *(see note 5(a)(v)(1))*. All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Investments

Investments in companies in which the company is able to exercise significant influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the company's share of post-acquisition earning or losses less dividends. Investments designated as held-for-trading are recorded at their fair value and investments in warrants are recorded at their Black-Scholes value using estimates made by management.

(c) Capital assets

Capital assets are recorded at cost. The company provide uses the following methods at rates designed to depreciate the cost of the capital assets over their estimated useful lives. The depreciation rates and methods are 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

(d) Mineral properties

The costs relating to acquisition, exploration and development of mineral properties, for which the company holds legal title to, are capitalized, less recoveries, by project until the commencement of commercial production. If commercially profitable reserves are developed, capitalized costs of the related project will be reclassified as mining assets and amortized on a unit of production method. If it is determined that the capitalized costs are not recoverable over the estimated life of the property or the project is sold or abandoned, the project cost is written down to its realizable value. Other exploration costs that relate to properties which have not yet been acquired by the company are classified as project development costs and expensed in the same period of disbursement.

The recoverability of the amounts shown as mineral properties and deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Impairment of long-lived assets

The company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(f) Future income taxes

The company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured at substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

(g) Asset retirement obligations

The company is subject to the provisions of CICA Handbook Section 3110, Asset Retirement Obligations, which requires the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As at December 31, 2010 and 2009, the company has not incurred, and is not committed to, any asset retirement obligations in respect of its mineral properties.

(h) Revenue recognition

Interest and other income are recorded when earned.

(i) Stock-based compensation

The fair value method of accounting for stock options is used. The fair value of stock options is calculated using the Black-Scholes option pricing model and is recognized as compensation expense over the vesting period of those grants with a corresponding adjustment to contributed surplus. On the exercise of stock options, the consideration paid by the employee and the related amounts in contributed surplus are credited to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(j) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the year-end rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Exchange gains or losses arising on translation are recorded in the consolidated statements of loss and deficit.

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.

(k) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share gives effect to the exercise of any option or warrant for which the exercise price is lower than the average market price during the period using the treasury stock method.

(l) Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions and use judgement that affected the reported amounts of assets, liabilities, revenues and expenses and disclosures. The significant areas requiring management estimates are carrying values of mineral properties, provisions for future income taxes and the valuation of equity instruments, such as stock options and warrants. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the consolidated financial statements in future periods could be significant.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables, held-to-maturity-investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of loss in the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in the consolidated statements of loss.

The company has made the following classifications:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Investments	Held-for-trading
Restricted cash	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are expensed on initial recognition. The company accounts for regular purchases and sales of financial assets using trade date accounting. Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Fair value hierarchy and liquidity risk disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the company's fiscal year ending December 31, 2009 and forward. This adoption has resulted in additional disclosure as provided below.

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 and investments. 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 consolidated balance sheets, have been prioritized into three levels as per the fair value hierarchy included in Canadian GAAP. 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.

(o) 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. FUTURE ACCOUNTING PRONOUNCEMENTS

Transition to International Financial Reporting Standards
Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2011 The company is working to implement the IFRS changes to its consolidated financial statements. Effective January 1, 2011, the company will adopt IFRS as the basis for preparing consolidated financial statements and will report the financial results for the quarter ended March 31, 2011 on an IFRS basis. The company will also provide comparative data on an IFRS basis, including an opening consolidated balance sheet as at January 1, 2010.

4. RESTRICTED CASH

Certain cash balances are restricted as they relate to deposits with various state regulatory authorities in the United States to secure various reclamation guarantees with respect to mineral properties in Utah and Colorado. As these licenses have not been renewed by the year-end, 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.

5. INVESTMENTS

		2010		2009
Investment in Southern Andes Energy Inc. (Note 5(a))	**$**	**1,161,486**	$	-
Investment in Homeland Energy Group Ltd. (Note 5(b))		**17,500**		25,000
Investment in Macusani Yellowcake Inc. shares and warrants (Note 5(c))		**-**		2,197,332
	$	**1,178,986**	$	2,222,332

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

(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 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

5. INVESTMENTS, CONTINUED

Energy Inc. ("Southern Andes") and a proposed 3:1 share consolidation plan effective May 17, 2010. The issued 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 spin-out of the 24,720,328 shares of Southern Andes represents a non-monetary non-reciprocal transfer to the company's shareholders and is therefore measured at the carrying amount of the Southern Andes investment on the company's books (just prior to the spin-out) with a corresponding reduction in deficit.

(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 held-for-trading. The carrying value has been increased by $581,264 as of year-end and recognized through the consolidated statements of loss.

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

Cash consideration	$ 4,000,000
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)

5. INVESTMENTS, CONTINUED

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		(5,742,318)
Carrying value after spin-out		580,222
Increase in carrrying value (as held-for-trading)		581,264
Carrrying value as at December 31, 2010	$	1,161,486

(b) **Investment in Homeland Energy Group Ltd.**

In January, 2009, the company provided a cash loan to Homeland Energy Group Ltd. ("Homeland Energy"), its former parent, in the amount of $2.5 million at an interest rate of 10% for a term of one year *(see note 17(d))*. In addition, Homeland Energy issued 250,000 common shares priced at $0.20 per share to the company as a placement fee of $50,000 in respect of this transaction. In June, 2009, the loan was settled by means of stock buyback. The accumulated interest amounted to $90,413. As at December 31, 2010, the company continued to hold the 250,000 common shares of Homeland Energy.

(c) **Investment in Macusani Yellowcake Inc. shares and warrants:**

(i) Pursuant to a share purchase agreement between the company and Macusani Yellowcake Inc. (TSXV-YEL) ("Macusani") dated October 15, 2008, the company acquired 7,619,047 units of Macusani at a price of $0.2625 per unit for a total purchase price of $2 million. Each unit is comprised of one common share and 0.6 of a common share purchase warrant, with each whole warrant exercisable for a 24-month period to acquire an additional common share at a price of $0.35 per share. As at May 14, 2010, the market value of these shares was $1,630,093 and the warrants was $200,000 for a total of $1,830,093 *(see note 5(a)(v)(4))*. As at May 14, 2010, the company owned approximately 12.7% of the issued and outstanding common shares of Macusani on a non-diluted basis.

(ii) The company opted to use the equity method of accounting for this investment for its December 2008 and March 2009 financial reporting due to the fact that the company owned over 20% of the issued and outstanding common shares of the investee and therefore had the ability to significantly influence their strategic operating, investing and financing policies. However, in May 2009 and November 2009, Macusani completed equity financings with third parties which reduced the company's holding of Macusani to 12.7%. Effective May 2009, the company had since designated the investment as held-for-trading. The Macusani warrants were valued suing the Black-Scholes model with the following parameters: expected option lie of 1.04 years, risk-free interest rate of 1.41% and volatility of 189%.

(iii) On May 14, 2010, the share and warrants comprising the Macusani investment were transferred to Solex Resources Corp. (currently Southern Andes Energy Inc.) as part a deal to acquire shares of that company *(see note 5(a))*.

6. CAPITAL ASSETS

December 31, 2010	**Cost**	**Accumulated Amortization**	**Net**
Exploration equipment	**$ 129,488**	**$ 90,044**	**$ 39,444**
Automotive equipment	**50,242**	**50,242**	**-**
Furniture and fixtures	**72,698**	**36,060**	**36,638**
Computer and office equipment	**137,882**	**97,404**	**40,478**
	$ 390,310	**$ 273,750**	**$ 116,560**

December 31, 2009	Cost	Accumulated Amortization	Net
Exploration equipment	$ 129,488	$ 60,648	$ 68,840
Automotive equipment	248,127	181,509	66,618
Furniture and fixtures	78,862	28,407	50,455
Computer and office equipment	154,318	81,911	72,407
	$ 610,795	$ 352,475	$ 258,320

Total depreciation on capital assets for 2010 was $111,563 (2009 – $178,915) of which $42,411 (2009 – $60,933) was expensed and $69,152 (2009 – $117,982) was capitalized to mineral properties.

7. MINERAL PROPERTIES

	2010	2009
Niger concessions (Note 7(a))	**$ 11,614,986**	$ 11,159,536
US properties (Note 7(b))	**-**	727,287
	$ 11,614,986	$ 11,886,823

(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 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;

7. MINERAL PROPERTIES, CONTINUED

(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 2010, the company expended a total of $455,450 (2009 - $1,874,846) on the acquisition, exploration and development of mineral properties in Niger. As at December 31, 2010, the cumulative net expenditures on these properties were $11,614,986 (2009 - $11,159,536).

(b) **US properties:**

(i) During the year ended December 31, 2009, the company did not renew the mining leases of four properties and were ultimately dropped. These properties consisted of CNX, Norma Jean, and Tex in the state of Colorado and the Deremo West property in Utah. The company wrote down a total of $1,335,907 against these properties. Subsequently, the company wrote down the sum of $1,974,207 against the properties of Atkinson Mesa, Dry Creek and Slickrock in Utah comprising most of the capitalized expenditures on these properties. During 2010, the company did not renew the mining leases of Atkinson Mesa, Dry Creek, Slickrock and Vex and ultimately wrote down a total of $1,087,311 against the capitalized expenditures of the remaining properties due to a lack of commercial viability.

(ii) During 2010, the company expended a total of $360,024 (2009 - $869,346) on the acquisition, exploration and development of mineral properties in the US. As at December 31, 2010, the cumulative net expenditures on these properties of $8,406,860 have all been written off.

8. FUTURE INCOME TAXES

(a) The future income tax liability relates to timing differences with respect to the carrying value of the mineral properties in Niger compared to its value for Niger tax purposes, as follows:

		2010		2009
Difference between carrying value of Niger mineral properties and tax value for Niger purposes, denominated in West Africa CFA		**936,383,000**		936,383,000
Future income tax provision, beginning of year (stated in $CAD)	**$**	**2,150,000**	$	2,450,000
Change in provision from change in foreign exchange rate between $CAD and West African CFA		**(250,000)**		(300,000)
Future income tax provision, end of year (stated in $CAD)	**$**	**1,900,000**	$	2,150,000

(b) The Corporation has Canadian tax deductions that have not been recognized in the consolidated financial statements amounting to approximately $5,780,000 (2009 – $4,720,000), including non-capital losses of approximately $5,200,000 (2009 – $3,490,000) which can be carried forward to offset future taxable income until they expire between 2027 and 2030.

(a) The company's effective tax ratediffers from the Canadian statutory rate principally because of the non-recognition of tax losses and non-deductible expenses as follows:

Statutory rate	**31%**	33%
Tax losses not recognized	**25%**	(4)%
Tax assets not recognized	**(5)%**	(19)%
Permanent differences	**7%**	(6)%
Effective tax rate	**58%**	4.00%

(d) The recovery of income taxes is comprised of the following:

		2010		2009
Tax effect of Southern Andes spin-off (Note 5(a)(v))	**$**	**(402,000)**	$	-
Tax effect of expiry of common share purchase warrants (Note 10)		**(370,000)**		-
Tax effect of expiry of broker warrants (Note 10)		**-**		(175,000)
	$	**(772,000)**	$	(175,000)

9. SHARE CAPITAL

	Shares	$
Balance - December 31, 2008	**56,434,100**	**$ 22,968,831**
Share retirement (Note 17(d))	(10,361,652)	(4,217,220)
Balance - December 31, 2009	**46,072,448**	**18,751,611**
Private placement (Note 9(a))	20,000,000	1,000,000
Share issue costs	-	(14,500)
Escrow share cancellation (Note 9(b))	(3,600,000)	-
Balance - December 31, 2010	**62,472,448**	**$ 19,737,111**

(a) On June 3, 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.

(b) 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 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.

10. CONTRIBUTED SURPLUS

	2010	2009
Balance, beginning of year	**$ 4,499,497**	$ 1,376,682
Stock based compensation	**22,048**	613,625
Stock repurchase (Note 17(d)(iii))	**-**	1,626,807
Expired broker warrants (Note 11(a and c))	**-**	1,057,383
Income tax recovery - expired broker warrants (Note 8)	**-**	(175,000)
Expired common share purchase warrants (Note 11(c))	**6,395,996**	-
Income tax recovery - expired common share purchase warrants (Note 8)	**(370,000)**	-
Balance, end of year	**$ 10,547,541**	$ 4,499,497

11. WARRANTS

		2010		2009
Balance, beginning of year	**$**	**6,395,996**	$	5,834,312
Modified warrants (Note 11(b))		**-**		1,619,067
Expired broker warrants (Note 11(a and c))		**-**		(1,057,383)
Expired common share purchase warrants (Note 11(c))		**(6,395,996)**		-
Balance, end of year	**$**	**-**	$	6,395,996

(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 $4,776,926 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 $5,834,309.

(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) Over the course of 2009, the broker warrants expired unexercised and their value of $1,057,383 was transferred to contributed surplus. By June 19, 2010, the common share purchase warrants also expired unexercised and their total modified value of $6,395,996 was credited to contributed surplus.

12. STOCK OPTIONS

The company has adopted a stock option plan under which options to purchase shares of the company may be granted to directors, officers, employees and consultants of the company. The following summary sets out the activity in outstanding stock options:

	2010	2009
Outstanding, beginning of year	**4,090,000**	5,005,000
Granted	**-**	150,000
	4,090,000	5,155,000
Expired unexercised	**-**	(1,065,000)
Cancelled	**(150,000)**	-
Outstanding, ending of year	**3,940,000**	4,090,000

Number of stock options	**Remaining contractual life**	**Exercise price per share**	**Expiry date**	**Exercisable stock options**
2,005,000	1.3	0.25	May 7, 2012	2,005,000
1,835,000	2.1	0.25	March 6, 2013	1,835,000
100,000	2.9	0.25	November 21, 2013	100,000
3,940,000				3,940,000

On November 27, 2009, the company announced that it had re-priced the exercise price of 2,005,000 stock options expiring on May 7, 2012 from $0.50 to $0.25, 2,085,000 stock options expiring on March 6, 2013 from $0.80 to $0.25 and 100,000 stock options expiring on November 21, 2013 from $0.80 to $0.25. These options are held by directors, officers and employees of the company.

25% of all granted options vest on issuance, with the remainder vesting equally in six month increments over an eighteen month period. As at December 31, 2010, 3,940,000 (2009 - 3,937,500) of all issued options were exercisable. The fair values of the options issued in 2009 were estimated using the Black-Scholes option pricing model with the following assumptions: expected option life of 2.4 to 5.0 years, a risk-free interest rate of 1.7% to 5.5%, volatility of 130% to 158% and dividend yield of 0%.

13. LOSS PER SHARE

The weighted average number of shares outstanding over 2010 is 56,179,845 (2009 - 46,730,661). 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. Cash of $24,413 (2009 - $4,337,215) are held with reputable financal institutions from which management believes the risk of loss to be minimal. All accounts receivable and deposits held with consultants and other service providers are in good standing. As of December 31, 2010, a total of $56,022 (2009 - $58,719) represented the maximum credit exposure on accounts receivable. Management believes that the credit risk concentration with respect to accounts receivable is minimal.

(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. 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 are current. As at December 31, 2010, the company has working capital of $1,129,466 (2009 - $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.

(c) 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 clasified as held-for-trading, are adjusted every period for any changes in their quoted trading prices.

(d) 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.

14. FINANCIAL INSTRUMENTS, CONTINUED

(e) Currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. 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 subject to gains and losses due to fluctuations in US dollar and Niger currency against the Canadian dollar.

A 10% increase or decrease in the respective foreign exchange rates that the company is subject to, based on the company's foreign denominated financial instruments as at year-end, could result in an estimated foreign exchange gain or loss ranging from $1,000 to $32,000.

(f) Fair value

The company has, for accounting purposes, designated its cash, restricted cash and investments as held-for-trading, each of which are measured at fair value. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair market value due to its short-term nature. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair market value due to its short-term nature. Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The fair value of the company's financial instruments where financial measurement is required, based on the criteria in note 2(n), are as follows:

	2010	2009
Level 1		
Cash	**$ 24,413**	$ 4,337,215
Restricted cash	**127,340**	162,742
Investment in Southern Andes	**1,161,486**	-
Investment in Homeland Energy	**17,500**	25,000
Investment in Macusani Yellowcake shares	**-**	1,790,476
Level 2		
Investment in Macusani Yellowcake warrants	**$ -**	$ 406,857

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, warrants, contributed surplus and deficit, which at December 31, 2010 was $10,961,012 (2009 - $16,555,926). 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 during 2010. The company is not subject to externally imposed capital requirements.

16. SEGMENTED INFORMATION

2010	**Canada**	**USA**	**Niger**	**Total**
Interest income	**$ 8,983**	**$ 3,024**	**$ -**	**$ 12,007**
Cash	**5,104**	**7,492**	**11,817**	**24,413**
Investments	**1,178,986**	**-**	**-**	**1,178,986**
Exploration expenditures	**-**	**360,023**	**455,451**	**815,474**
Impairment charges	**-**	**1,087,311**	**-**	**1,087,311**
Capital assets	**770**	**22,008**	**93,782**	**116,560**
Mineral properties	**-**	**-**	**11,614,986**	**11,614,986**
Total assets	**1,197,456**	**204,382**	**11,723,199**	**13,125,037**
Loss (earnings) for the year	**$ (2,037,455)**	**$ 1,154,415**	**$ (213,204)**	**$ (1,096,244)**

2009	Canada	USA	Niger	Total
Interest income	$ 142,957	$ 6,413	$ -	$ 149,370
Cash	4,280,964	24,418	31,833	4,337,215
Investments	2,222,332	-	-	2,222,332
Exploration expenditures	-	870,548	1,875,597	2,746,145
Impairment charges	-	3,310,114	-	3,310,114
Capital assets	7,118	55,253	195,949	258,320
Mineral properties	-	727,288	11,159,535	11,886,823
Total assets	6,523,216	1,023,456	11,391,292	18,937,964
Loss (earnings) for the year	$ 1,493,230	$ 3,434,643	$ (223,761)	$ 4,704,112

17. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the company transacted with related parties pursuant to service arrangements in the ordinary course of business. These transactions were recorded at the exchange amount as agreed between the related parties and included the following:

(a) The company paid $822 (2009 -$9,173) for corporate and investor relation services to Grove Communications Inc., the owner of which is a director of the company.
.

(b) The company paid consulting fees of $2,000 (2009 - $14,250 to Laurence Curtis, who became a director in June, 2009 (and later resigned in June, 2010).

(c) The company paid consulting fees of $Nil (2009 -$3,500) to Tormin Resources Limited, the owner of which is a director of the company. Additionally, the company has made an agreement to rent out one of its offices to Tormin Resources on a part-time basis for $750 per month starting May 1, 2008 for which it has received $4,995 (2009 - $9,000).

(d) Over the course of 2009, the company entered into a loan transaction with Homeland Energy Group Ltd. ("Homeland Energy"), its former parent company, that resulted in a series of transactions as described below:

(i) On January 20, 2009, the company provided a cash loan to Homeland Energy in the amount of $2.5 million at an interest rate of 10% for a term of one year. In addition, Homeland Energy issued 250,000 common shares priced at $0.20 per share to the company as a placement fee of $50,000 in respect of this transaction. The loan was approved by the independent directors of both companies.

(ii) On May 30, 2009, the company signed an agreement with Homeland Energy to accept the cancellation of this indebtedness in exchange for 10,361,652 shares of the company which were pledged by a subsidiary of Homeland Uranium. The total settlement amounted to $2,590,413 and comprised principal and accumulated interest of $90,413. The company's shares were valued at $0.25 per share.

(iii) As a result of the above transaction, the company cancelled a total of 10,361,652 of its own shares at an assigned value of $4,217,220 or $0.407 per share. The $1,626,807 difference between the assigned value of the cost of the shares and the acquisition cost was credited to contributed surplus.

(iv) Prior to this settlement, Homeland Energy, either directly or indirectly, held 39.4% (22,250,000 shares) of the company. Following the settlement in 2009, Homeland Energy Group was left with a 25.8% position (11,888,348 shares) in the company. Subsequent financings have reduced Homeland Energy's share ownership in the company at about 19%.

(e) Starting in June, 2010, the company has paid a monthly fee of $4,000 per month ($28,000 for the year) to Southern Andes Energy Inc., the related company described in note 5(a), for management and administrative costs shared by both companies.

18. COMMITMENT

The company is committed to spend a minimum of US$300,000 per concession before November 30, 2008 (US$2,400,000 for the eight concessions). For the periods ending November 30, 2009 and 2010, the annual expenditures are increased to US$500,000 and US$1,325,000 respectively per concession (US$4,000,000 and US$10,600,000 for the eight concessions). The concession licenses have since been extended to August 31, 2012. As at December 31, 2010, the company has spent $ 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. The company is in process to make the necessary applications to get the extension formalized.

In addition, the company has agreed to make three time cash payments to the government for the purpose of training Niger nationals equivalent to US$10,000 per concession or US$ 80,000 for its eight concessions as part of minimum spending commitments.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the 2010 financial statements.