HOMELAND URANIUM INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2014 AND 2013

(Stated in $CAD)

(Unaudited - Prepared by Management)

(These unaudited interim consolidated financial statements, prepared by management, have not been reviewed by the company's external auditors)

HOMELAND URANIUM INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2014 AND DECEMBER 31, 2013
(Stated in $CAD)
(Unaudited - Prepared by Management)

	June 30 2014	December 31 2013
ASSETS		
Current:		
Cash	**$ 8,842**	$ 14,572
Accounts receivable and prepaid expenses	**13,143**	30,536
Marketable securities (Note 4)	**41,903**	139,638
	$ 63,888	$ 184,746
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 6)	**$ 678,998**	$ 536,155
SHAREHOLDERS' DEFICIT		
Share capital (Note 7)	**20,484,111**	20,484,111
Contributed surplus	**10,555,731**	10,555,731
Reserve for warrants (Note 7(b))	**103,000**	103,000
Reserve for share based payments (Note 8)	**33,000**	33,000
Accumulated deficit	**(31,702,733)**	(31,432,288)
Accumulated other comprehensive loss	**(88,219)**	(94,963)
	(615,110)	(351,409)
	$ 63,888	$ 184,746

Going concern (Note 1(b))

Commitments (Note 12)

The accompanying notes form an integral part of these interim unaudited consolidated financial statements

Approved on behalf of the Board:

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

HOMELAND URANIUM INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Three month period ended June 30 2014	**Six month period ended June 30 2014**	Three month period ended June 30 2013	Six month period ended June 30 2013
Revenue				
Realized gain on FVTPL securities	**$ -**	**$ 4,306**	$ -	$ 95
Expenses				
Exploration expenditures	**112,751**	**132,510**	17,959	38,387
Corporate and investor relations	**38,694**	**88,247**	39,661	75,770
Unrealized loss on FVTPL securities	**38,545**	**31,570**	44,000	107,983
Professional fees	**12,534**	**20,405**	15,277	24,746
Foreign exchange loss	**1,034**	**1,034**	464	5,436
Office and administration	**682**	**985**	1,775	2,056
Realized loss on FVTPL securities	**3,015**	-	-	-
	207,255	**274,751**	119,136	254,378
Net loss	**$ (207,255)**	**$ (270,445)**	$ (119,136)	$ (254,283)
Loss per share - basic and diluted (Note 9**)**	**$ (0.0009)**	**$ (0.0012)**	$ (0.0007)	$ (0.0013)
Comprehensive loss				
Net loss	**$ (207,255)**	**$ (270,445)**	$ (119,136)	$ (254,283)
Item that may be reclassified subsequently to net income (loss)				
Exchange differences on translation of foreign operations	**27,950**	**6,744**	(986)	(10,600)
Comprehensive loss	**$ (179,305)**	**$ (263,701)**	$ (120,122)	$ (264,883)

The accompanying notes form an integral part of these interim unaudited consolidated financial statements

HOMELAND URANIUM INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
PERIOD FROM JANUARY 1, 2013 TO JUNE 30, 2014
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Common shares		Reserve for warrants		Contributed surplus	Reserve for share based payments	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Amount	Number	Amount					
	(Note 7)		(Note 7(b))			(Note 8)			
As at January 1, 2013	**137,472,448**	**$ 20,162,111**	**-**	**$ -**	**$ 10,425,525**	**$ 130,206**	**$ (30,935,904)**	**$ (69,708)**	**$ (287,770)**
Private placement	85,000,000	322,000	85,000,000	103,000	-	-	-	-	425,000
Expiry of options	-	-	-	-	130,206	(130,206)	-	-	-
Net loss for period	-	-	-	-	-	-	(254,283)	-	(254,283)
Currency translation adjustment	-	-	-	-	-	-	-	(10,600)	(10,600)
As at June 30, 2013	**222,472,448**	**20,484,111**	**85,000,000**	**103,000**	**10,555,731**	**-**	**(31,190,187)**	**(80,308)**	**(127,653)**
Share base payments	-	-	-	-	-	33,000	-	-	33,000
Net loss for period	-	-	-	-	-	-	(242,101)	-	(242,101)
Currency translation adjustment	-	-	-	-	-	-	-	(14,655)	(14,655)
As at December 31, 2013	222,472,448	20,484,111	85,000,000	103,000	10,555,731	33,000	(31,432,288)	(94,963)	(351,409)
Net loss for period	-	-	-	-	-	-	(270,445)	-	(270,445)
Currency translation adjustment	-	-	-	-	-	-	-	6,744	6,744
As at June 30, 2014	**222,472,448**	**$ 20,484,111**	**85,000,000**	**$103,000**	**$ 10,555,731**	**$ 33,000**	**$ (31,702,733)**	**$ (88,219)**	**$ (615,110)**

The accompanying notes form an integral part of these interim unaudited consolidated financial statements

HOMELAND URANIUM INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Stated in $CAD)
(Unaudited - Prepared by Management)

	2014	2013
Operating activities		
Net loss	**$ (270,445)**	$ (254,283)
Add (deduct) items not affecting cash		
Unrealized loss (gain) on FVTPL securities	**31,570**	107,983
Realized loss (gain) on FVTPL securities	**(4,306)**	(95)
Unrealized foreign exchange loss (gain)	**6,744**	(10,600)
	(236,437)	(156,995)
Change in non-cash working capital items		
Accounts receivable and prepaid expenses	**17,393**	10,561
Accounts payable and accrued liabilities	**142,843**	(165,992)
	(76,201)	(312,426)
Investing activities		
Proceeds on sale of FVTPL securities	**70,471**	19,743
Restricted cash	**-**	2,871
	70,471	22,614
Financing activities		
Proceeds from issuance of share capital and warrants	**-**	425,000
Change in cash	**(5,730)**	135,188
Cash, beginning of period	**14,572**	2,679
Cash, end of period	**$ 8,842**	$ 137,867

The accompanying notes form an integral part of these interim unaudited consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

Homeland Uranium Inc. (the "company") is engaged in the business of evaluation and exploration of uranium resource properties in Niger, West Africa. The company, incorporated in December, 2006 under the Ontario Business Corporations Act, has registered offices at 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4. It is a reporting issuer subject to the rules and regulations of the Ontario Securities Commission, but its shares do not trade on any stock exchange.

The unaudited interim consolidated financial statements have not been reviewed by the company's external auditors and were authorized for issuance by the Board of Directors on August 28, 2014.

(b) Going concern

The accompanying unaudited interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the company be unable to continue as a going concern. In this circumstance, the company would be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited interim consolidated financial statements. Such adjustments could be material.

The company has incurred repeated significant losses as net loss for the six month period ended June 30, 2014 was $270,445 (June 30, 2013 - $254,283) with an accumulated deficit as at June 30, 2014 of $31,702,733 (December 31, 2013 - $31,432,288). The working capital deficiency as at June 30, 2014 was $615,110 as compared with $351,409 at December 31, 2013.

The company received renewal of its eight uranium concessions from the Minister of Mines and Industrial Development of the Government of Niger on March 4, 2013 for a further three years *(see note 5(b))*. Such approval had been conditional upon certain factors, the most significant of which was the payment of two years of training fees in the amount of USD $160,000 *(see note 6)*, which were paid by the company on March 28, 2013 *(see note 6)*. Failure to pay remaining and ongoing annual training fees (totalling USD $320,000 as at June 30, 2014), to maintain an ongoing administrative presence in Niger or to meet minimum spending and reporting requirements under the renewal terms could result in termination of any 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 2(f))*.

As the company has no operating revenues or other sources of cash flow, 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 *(see note 7(b))* and/or (2) sell its interest in its marketable securities *(see note 4)*.

1. NATURE OF OPERATIONS AND GOING CONCERN, CONTINUED

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. Management is not aware of any such agreements, transfers or defects, but 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 foreign 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 (such as making payments when required on accruing training fees *(see note 6)*) or security issues preventing the safe exploration and development of any properties under license. Previously, 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 had acknowledged these delays as "force majeure" and, in June, 2010, had granted the company a 27 month extension (to August, 2012) to its original concessions to compensate for this lost time. Ongoing economic and political uncertainty in the sub-Saharan part of Africa could lead to similar difficulties and delays in the future.

While management believes that it will be able to secure the necessary financing to continue operations into the future, there are material uncertainties 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. Therefore, there is significant doubt as to the propriety of the use of the going concern assumption upon which these unaudited interim consolidated financial statements have been prepared.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These unaudited interim consolidated financial statements should be read in conjunction with the company's audited consolidated financial statements for the year ended December 31, 2013 and reflect the same accounting policies and methods of computation applied therein, except as described below. As required by the IASB, effective January 1, 2014, the company adopted the following amendment to IFRS:

IAS 32: "Financial Instruments - Offsetting Financial Assets and Financial Liabilities" provides further clarification on the application of certain aspects of offsetting and net and gross settlement. The adoption of this standard had no effect on the unaudited interim consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Basis of preparation

The unaudited interim consolidated financial statements have been prepared on the historical cost basis as modified by the measurement at fair value of financial assets classified as fair value through profit and loss ("FVTPL").

The preparation of unaudited interim consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these unaudited interim consolidated financial statements, are disclosed in note 2(n).

(c) Basis of consolidation

These unaudited interim 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
- Uranium International Limited Niger ("Niger sub"), a branch of the Ontario sub

Subsidiaries are those entities which the company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the company and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

(d) Financial instruments

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 profit or 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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) **Financial instruments, continued**

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 then measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument 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 instrument, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and also 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
Accounts receivable	Loans and receivable
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Functional currency and foreign currency translation

Functional and presentation currency

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

Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the end of the reporting period, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate at that date 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 exchange rate at the end of the reporting period and all revenue and expense accounts and cash flow statement items are translated at average exchange rates for the reporting period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive loss.

(f) Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to profit or loss 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 and equipment. 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

(g) 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.

(h) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

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.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized at the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(i) 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. The fair value of each tranche is measured using the Black-Scholes option pricing model based upon the number of awards expected to vest. Compensation expense is recognized upon vesting over the tranche's vesting period by increasing the reserve for share based payments. Any consideration paid on exercise of share options is credited to share capital.

For other 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.

(j) Earnings per share

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

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive instruments. Stock options and warrants outstanding are not included in the computation of diluted earnings per share if their inclusion would be anti-dilutive.

(k) Accumulated other comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Certain gains and losses arising from changes in fair value are temporarily recorded outside the consolidated statement of loss in accumulated comprehensive income (loss) as a separate component of shareholders' equity (deficit). 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.

(l) Income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probably that the taxable profits will be available against which those deductible temporary differences can be utilized.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither that taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its tax assets and liabilities on a net basis.

(m) **Critical accounting estimates**

The preparation of these unaudited interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) **Environmental rehabilitation provision**

Provisions for environmental 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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) Critical accounting estimates, continued

(ii) Niger liabilities

As illustrated by the period of "force majeure" described in note 1(b), there is an uncertainty that often arises when conducting business in Niger. These uncertainties require significant judgements to ensure that liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations, are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date.

(iii) 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.

3. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

As at the date of authorization of these unaudited interim consolidated financial statements, the IASB has issued the following revised standard which is not yet effective:

IFRS 9: "Financial Instruments" was issued by the IASB on November 12, 2009 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The company has not early adopted this standard, but management is currently assessing the impact of its application in the unaudited interim consolidated financial statements.

4. MARKETABLE SECURITIES

The company's marketable securities are carried at fair value and are comprised of the following:

	June 30 2014 $	June 30 2014 Shares	December 31 2013 $	December 31 2013 Shares
Macusani Yellowcake Inc.	**$ 29,700**	**495,000**	$ 115,500	1,050,000
Caracara Silver Inc.	**12,203**	**813,500**	24,138	965,500
	$ 41,903		$ 139,638	

5. MINERAL PROPERTIES

The following provides the relevant background on the company's uranium exploration concessions in Niger:

(a) The company was originally granted three-year uranium exploration concessions in January 2007 that were 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 September 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 to give recognition to conditions of "force majeure" that existed at that time.

(b) On March 4, 2013, the company obtained approval for renewal of its Niger uranium concessions for a further three years from authorities in Niger. Such approval was conditional upon certain factors, the most significant of which was payment of two years of training fees on March 28, 2013 in the amount of USD $160,000 *(see note 6)*.

(c) The key terms of the concession renewal include:

(i) 50% of the areas licensed under the previous concessions were relinquished on renewal, such that the area of exploration now covers approximately 1,870 square kilometres;
(ii) cumulative minimum expenditures of USD $4,916,350 for all concessions during the three-year renewal period *(see note 12(a))*;
(iii) a 10% free carried interest for the state in the mining phase with an option to acquire an additional 30% at market value;
(iv) tax and other exemptions during the exploration period include:
- value added tax;
- corporate income tax;
- income tax for expatriate employees;
- land tax;
- license contributions;
- mining flat tax and other registration fees; and
- import duties on certain equipment and spare parts;

5. MINERAL PROPERTIES, CONTINUED

(v) a sliding scale mining royalty between 5.5% to 12% of the market value of production on FOB terms; and
(vi) 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; and
- import duties on certain equipment and spare parts

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2014	December 31 2013
Trade accounts payable and accrued liabilities	**$ 447,597**	$ 309,653
Payroll related	**100,977**	92,015
Provisions	**130,424**	134,487
	$ 678,998	$ 536,155

As at June 30, 2014, trade accounts payable and accrued liabilities contain an amount of USD $320,000 representing four years of training fees (December 31, 2013 - USD $240,000) due and payable under the terms of the original uranium concessions (a further year of training fees of USD $80,000 was accrued in the three month period ended June 30, 2014). The renewal process for the uranium concessions was formalized on March 4, 2013, but was conditional upon acknowledgement of these liabilities by the company.

7. SHARE CAPITAL

Continuity schedules for the company's share capital and other equity instruments are disclosed in the unaudited interim consolidated statements of changes in shareholders' equity for the period from January 1, 2013 to June 30, 2014. Details of changes to share capital during that period are as follows:

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

(b) In February, 2013, the company closed a non-brokered private placement of 85,000,000 units at $0.005 per unit for gross proceeds of $425,000. Each unit consisted of the following:

(i) 1 common share; and
(ii) 1 common share purchase warrant entitling the holder thereof to buy one common share at a price of $0.01 per share, expiring in 24 months by February 2015. The fair value of these warrants was calculated with the Black-Scholes pricing model. Using the assumptions of: (1) risk free interest rate of 1.0%, (2) expected volatility of 139%, (3) expected life of 1 year, and (4) dividend yield of 0.0%, the fair value attributed to each warrant was $0.0012, or $103,000 in aggregate. The remaining proceeds of $322,000 were attributed to the common shares.

8. STOCK OPTIONS

The company has adopted a stock option plan under which it may grant options to acquire shares of the company to directors, officers and consultants of the company. The number of common shares subject to options granted under the plan is limited to 10% in the aggregate. A summary of the status of the stock option plan is as follows

	Six month period ended June 30, 2014		Year ended December 31, 2013	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of period	**11,000,000**	**$ 0.005**	750,000	$ 0.250
Expired or forfeited	**-**	**-**	(750,000)	0.250
Granted in July, 2013	**-**	**-**	11,000,000	0.005
Outstanding, end of period	**11,000,000**	**$ 0.005**	11,000,000	$ 0.005

(a) **Option expiries and forfeitures**

(i) On expiry of 750,000 options in the first quarter of 2013, the balance in the reserve for share based payments of $130,206 was transferred to contributed surplus.

(b) **July 11, 2013 grant:**

(i) The Board of Directors approved a grant of 11,000,000 options exercisable at $0.005 per option with a term of five years (expiring July 11, 2018). Of these options, 50% vested immediately and the remainder after one year.

(ii) The fair value of these options issued to officers, directors and consultants has been calculated with the Black-Scholes option pricing model. Using the assumptions of: (1) risk free interest rate of 1.0% (2) expected volatility of 139%, (3) expected life of 3.25 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.004, or $44,000 in aggregate.

9. LOSS PER SHARE

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and six month periods ended June 30, 2014 was 222,472,448 and 222,472,448 respectively (three and six month periods ended June 30, 2013 - 169,639,115 and 195,704,492 respectively).

Diluted loss per share and the weighted average number of common shares exclude all potentially dilutive equity instruments since their effect is anti-dilutive. As at June 30, 2014, the following potentially dilutive equity instruments were all outstanding: (1) 85,000,000 warrants (December 31, 2013 - 85,000,000), and (2) 11,000,000 options (December 31, 2013 - 11,000,000).

10. FINANCIAL RISK FACTORS

Risk management

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk, mineral property risk, market risk and currency risk. 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 a counterparty's inability to fulfill its payment obligations. The company's credit risk is primarily attributable to cash and accounts receivable. Financial instruments included in accounts receivable consist of HST receivable. As at June 30, 2014, cash of $8,842 (December 31, 2013 - $14,572) is held with reputable financial institutions from which management believes the risk of loss to be minimal. All HST receivables are in good standing, so management believes that the related credit risk concentration 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(b))*. 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 marketable securities as current. As at June 30, 2014, the company had a working capital deficiency of $615,110 (December 31, 2013 - $351,409). All of the company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

(c) **Mineral property risk**

The company's operations in Niger are exposed to various levels of political risk and uncertainties, including political and economic instability, expropriation, government regulations relating to exploration and mining, military repression and civil disorder, any or all of which may have a material adverse impact on the company's activities or may result in impairment in, or loss of, part or all of the company's assets.

10. FINANCIAL RISK FACTORS, CONTINUED

(d) Sensitivity analysis

As at June 30, 2014 and December 31, 2013, 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 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 predominately in West African francs (CFA's) as well as some in US dollars and are related to cash, restricted cash, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect comprehensive loss by $52,000, virtually all of which is related to CFA denominated financial instruments.

ii) The company is exposed to market risk as it relates to its marketable securities. If market prices had varied by 10% from their June 30, 2014 fair market value positions, net loss and comprehensive loss would have varied by approximately $4,000.

(e) 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 financial instruments classified as loans and receivables and other financial liabilities approximates their carrying amounts due to their short term maturities. 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 statement of financial position, 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:

	June 30 2014	December 31 2013
	$	$
Level one		
Cash	**8,842**	14,572
Marketable securities	**41,903**	139,638

10. FINANCIAL RISK FACTORS, CONTINUED

(f) 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.

11. CAPITAL DISCLOSURES

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 its equity, which is comprised of share capital, contributed surplus, reserves for warrants and share based payments, accumulated deficit and accumulated other comprehensive loss, which at June 30, 2014 was a deficiency of $615,110 (December 31, 2013 - deficiency of $351,409). 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.

12. COMMITMENTS

(a) Niger concessions

As described in note 5, the company had its eight uranium concessions renewed on March 4, 2013 for a further three year period. Under the terms of those concession renewals, the company is committed to minimum exploration expenditures of USD $4,916,350 over the three year extension, currently budgeted in approximately equal annual amounts.

In addition, under the terms of the original agreement and continued during the renewal period, the company is committed to payment of annual training fees of USD $10,000 per concession (totalling USD $80,000 per year) for its eight concessions for the purpose of training Niger nationals *(see note 6)*.

(b) Management contract

The company's management contract with Grove Capital Group Inc. is on a monthly basis with a six-month notice period *(see note 14(a))*.

13. 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. Operations in the US are now completely inactive.

14. Related Party Transactions (Including Key Management Compensation)

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

(a) The company pays a monthly fee of $10,000 to a company controlled by two of the directors, one of whom is also an officer, for management and administrative services, including monthly compensation for the CFO of $2,500, corporate secretary, office rent and regular administrative functions. During the three and six month periods ended June 30, 2014, the company recorded total fees of $30,000 and $60,000 respectively (three and six month periods ended June 30, 2013 - $30,000 and $60,000 respectively) *(see also note 12(b))*. As at June 30, 2014, accounts payable and accrued liabilities includes $32,314 (December 31, 2013 - $11,581) in respect of such fees and cost recoveries.

(b) Each independent director receives a quarterly honorarium of $1,500. Fees recorded in the three and six month periods ended June 30, 2014 totalled $7,500 and $15,000 respectively (three and six month periods ended June 30, 2013 - $6,000 and $12,000). To date, no payments have been made against these honorariums such that, as at June 30, 2014, accounts payable and accrued liabilities includes a provision of $66,000 (December 31, 2013 - $51,000) in respect of such fees.