

*A copy of this preliminary Prospectus has been filed with the securities regulatory authorities in the provinces of Alberta, British Columbia, Saskatchewan and Ontario, but has not yet become final. Information contained in this preliminary Prospectus may not be complete and may have to be amended. This preliminary Prospectus does not constitute a public offering of securities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

## PRELIMINARY PROSPECTUS

Non-Offering Prospectus

September 27, 2012



### APIIA ENERGY CORP.

No securities are being offered pursuant to this Prospectus.

This non-offering preliminary prospectus (the "**Prospectus**") is being filed with the securities regulatory authorities in the provinces of Alberta, British Columbia, Saskatchewan and Ontario (collectively the "**Qualifying Jurisdictions**") to enable Appia Energy Corp. (the "**Corporation**", "**Appia**" "**we**", "**us**", "**our**") to become a "reporting issuer" in those jurisdictions pursuant to applicable securities legislation, notwithstanding that no sale of securities is contemplated herein. Since no securities are being offered, no proceeds will be raised and all expenses in connection with the preparation and filing of this Prospectus will be paid by the Corporation from its working capital.

The Corporation is hereby qualifying for distribution in the Qualifying Jurisdictions all of its currently issued and outstanding Common Shares.

**There is no market through which the Corporation's securities may be sold and Shareholders may not be able to resell securities of the Corporation owned by them. This may affect the pricing of the Corporation's securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. You should carefully review and evaluate certain risk factors before making any investment decision with respect to the securities of the Corporation. See "Risk Factors".**

**The Corporation is incorporated under the *Canada Business Corporations Act* ("CBCA") and is in the business of the acquisition, exploration and development of mineral properties. See "Description of the Business". AN INVESTMENT IN NATURAL RESOURCE ISSUERS INVOLVES A SIGNIFICANT DEGREE OF RISK. THE DEGREE OF RISK INCREASES SUBSTANTIALLY BECAUSE THE CORPORATION'S PROPERTIES ARE IN THE EXPLORATION STAGE AS OPPOSED TO THE DEVELOPMENT STAGE. AN INVESTMENT IN THESE SECURITIES SHOULD ONLY BE MADE BY PERSONS WHO CAN AFFORD THE TOTAL LOSS OF THEIR INVESTMENT. SEE "RISK FACTORS".**

**No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review of the contents of the Prospectus.** No person is authorized by the Corporation to provide any information or make any representations other than those contained in this Prospectus.

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

Appia Energy Corp.  
25 Adelaide Street East, Suite 1010  
Toronto, Ontario M5C 3A1  
Telephone: (416) 221-4124  
Facsimile: (416) 218-9772

## TABLE OF CONTENTS

<b>DEFINED TERMS</b> .....	4
<b>CURRENCY</b> .....	4
<b>FORWARD-LOOKING STATEMENTS</b> .....	4
<b>PROSPECTUS SUMMARY</b> .....	5
<b>THE CORPORATION</b> .....	7
Name, Address and Incorporation .....	7
Intercorporate Relationships .....	7
<b>DESCRIPTION OF THE BUSINESS</b> .....	7
Introduction .....	7
Acquisition of the Property .....	7
Three Year History .....	8
Share Issuances .....	8
<b>THE PROPERTY</b> .....	9
Property Description and Location .....	9
Accessibility, Climate, Local Resources, Infrastructure and Physiography .....	14
History .....	15
Geological Setting .....	27
Deposit Types .....	31
Mineralization .....	31
Exploration by CEC and Appia .....	33
Drilling .....	37
Sampling Method and Approach .....	43
Sample Preparation and Security .....	44
Data Corroboration .....	45
Mineral Resource and Mineral Reserve Estimates .....	47
Market .....	56
Interpretation and Conclusions .....	64
Recommendations .....	68
Program Budget .....	70
<b>NON-OFFERING PROSPECTUS</b> .....	73
<b>USE OF AVAILABLE FUNDS</b> .....	73
Principal Purposes .....	74
Business Objectives and Milestones .....	74
<b>DIVIDENDS OR DISTRIBUTIONS</b> .....	74
<b>SELECTED FINANCIAL INFORMATION</b> .....	74
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b> .....	75
Overview .....	75
<b>DESCRIPTION OF COMMON SHARES</b> .....	81
Convertible Securities .....	82
<b>CONSOLIDATED CAPITALIZATION</b> .....	82
<b>STOCK OPTION PLAN</b> .....	82
<b>PRIOR SALES</b> .....	83
<b>PRINCIPAL SECURITYHOLDERS</b> .....	83
<b>PROMOTERS</b> .....	84
<b>DIRECTORS AND EXECUTIVE OFFICERS OF THE CORPORATION</b> .....	84
Directors and Executive Officers .....	84
Biographies of Management .....	85
Directors' and Officers' Liability Insurance and Indemnification .....	87
Corporate Cease Trade Orders or Bankruptcies .....	87
Penalties or Sanctions .....	88
Individual Bankruptcies .....	88
Conflicts of Interest .....	88

<b>EXECUTIVE COMPENSATION</b> .....	89
Compensation Discussion and Analysis.....	89
Compensation Objectives and Principles .....	89
Compensation Processes and Goals .....	89
The Implementation of the Corporation’s Compensation Policies.....	90
Summary Compensation Table .....	90
Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of September 30, 2011.....	91
Value Vested or Earned by Named Executive Officers During the Year Ended September 30, 2011 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation.....	91
Employment/Consulting Contracts .....	91
Termination and Change of Control Benefits.....	91
Compensation of Directors.....	91
Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who Are Named Executive Officers) as of September 30, 2011.....	92
Value Vested or Earned During the Year Ended September 30, 2011 by Directors (Other Than Directors Who are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non- Equity Incentive Plan Compensation .....	92
<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS</b> .....	93
<b>AUDIT COMMITTEE AND CORPORATE GOVERNANCE</b> .....	93
Audit Committee .....	93
Audit Committee Charter.....	93
Composition of the Audit Committee .....	93
Relevant Education and Experience.....	93
Reliance on Certain Exemptions .....	94
Pre-Approval Policies and Procedures .....	94
External Auditor Service Fees (By Category).....	94
Corporate Governance.....	94
Board of Directors.....	94
Board Mandate .....	95
Position Description .....	95
Orientation and Continuing Education.....	96
Nomination of Directors.....	96
Ethical Business Conduct.....	96
Compensation.....	96
Board Assessments.....	96
<b>RISK FACTORS</b> .....	97
Operating History.....	97
Exploration, Development and Operating Risk.....	97
Early Stage Property.....	97
Insufficient Resources or Reserves .....	98
Uncertainty Relating to Inferred Mineral Resources.....	98
Uncertainty in the Estimation of Mineral Reserves and Resources.....	98
Uranium and REE Prices.....	98
Limited Number of Customers.....	99
Public Acceptance of Nuclear Energy.....	99
Key Personnel .....	99
Conflicts of Interest.....	99
Additional Capital .....	99
Title .....	99
Aboriginal Land Claims and Aboriginal Rights.....	100
Barriers To Commercial Production .....	100
Maintaining Interests In Mineral Properties.....	100
Acquiring Additional Properties.....	100
Insurance and Uninsured Risks .....	100
External Market Factors .....	101

Governmental and Regulatory Requirements.....	101
Environmental Regulations .....	101
Commodity Prices and Exchange Rate Fluctuations.....	102
Dividend Policy.....	102
Absence of Public Trading Market.....	102
Controlling Shareholder .....	102
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....</b>	<b>102</b>
<b>INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>102</b>
<b>AUDITORS, REGISTRAR AND TRANSFER AGENT .....</b>	<b>103</b>
<b>OTHER MATERIAL CONTRACTS .....</b>	<b>103</b>
<b>EXPERTS.....</b>	<b>103</b>
<b>OTHER MATERIAL FACTS .....</b>	<b>103</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>104</b>
<b>GLOSSARY OF NON-TECHNICAL TERMS .....</b>	<b>105</b>
<b>AUDITORS' CONSENT.....</b>	<b>108</b>
<b>SCHEDULE "A" - INDEX TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS .....</b>	<b>A-1</b>
<b>SCHEDULE "B" - AUDIT COMMITTEE CHARTER.....</b>	<b>B-1</b>
<b>SCHEDULE "C" - BOARD CHARTER.....</b>	<b>C-1</b>
<b>CERTIFICATE OF THE CORPORATION .....</b>	<b>D-1</b>
<b>CERTIFICATE OF THE PROMOTERS.....</b>	<b>D-1</b>

## DEFINED TERMS

Capitalized terms used in this Prospectus are defined terms. Please refer to “Glossary of Non-Technical Terms” at the end of this Prospectus for a list and the meaning of defined terms used herein.

## CURRENCY

In this Prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to \$ are to Canadian dollars.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains “forward-looking statements” which reflect management’s expectations regarding the Corporation’s future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements may include, but are not limited to, statements with respect to the future financial or operating performance of the Corporation and its projects, future mineral prices, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; fluctuations in currency exchange rates; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future prices of uranium and other mineral prices; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; actual results of reclamation activities, and the factors discussed in the section entitled “Risk Factors” in this Prospectus. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Prospectus and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements, including the notes thereto, contained elsewhere in this Prospectus.*

**The Corporation:** The Corporation was formed by articles of incorporation under the CBCA on August 24, 2007. The Corporation is engaged in the business of the acquisition, exploration and development of mineral properties. The Corporation owns a 100% interest in the Property. See “The Corporation” and “Description of the Business”.

**The Property:** The Property is comprised of 100 staked mining claims located in Buckles, Bouck, Beange, Bolger, Gunterman, Joubin and Lehman Townships near the town of Elliot Lake. The Corporation has obtained a technical report in compliance with NI 43-101 entitled “A Technical Review of the Appia Energy Corp. Rare Earth Metal-Uranium Property, Elliot Lake District, North-Central Ontario, Canada” dated July 18, 2011 (the “**Technical Report**”) prepared by Al Workman, P. Geo and Kurt Breede, P. Eng of Watts, Griffis and McQuat Limited (“**WGM**”). See “Description of the Business”.

**Use of Available Funds:** The Corporation intends to fund its business using the proceeds from prior private placement financings. As at September 25, 2012, the Corporation had working capital of approximately \$2,116,000. The Corporation intends to expend its available funds as follows:

<b>Use of Available Funds</b>	<b>Amount</b>
Costs of Prospectus	\$ 65,000
Continuation of current work program	\$ 617,500
Operating Expenses and working capital for twelve (12) months	\$ 324,000
Unallocated working capital	\$ 1,109,500
<b>TOTAL</b>	<b>\$2,116,000</b>

The Corporation intends to spend the funds available to it as stated in this Prospectus. However, there may be circumstances where for sound business reasons, a reallocation of funds may be necessary.

**Risk Factors:** The securities of the Corporation are highly speculative due to the Corporation’s involvement in the acquisition, exploration and development of mineral properties and its current stage of development. The exploration of minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In addition to the information presented elsewhere in this Prospectus, investors should carefully consider the risks described under “Risk Factors”, which are summarized below:

- (i) there is no assurance that any discovery will be economic;
- (ii) there may be defects in the title to the Property;
- (iii) the mining industry is subject to significant competition;
- (iv) commodity prices have historically fluctuated widely;
- (v) the exploration for minerals is speculative in nature and involves many risks;

- Risk Factors (continued):**
- (vi) the Corporation's current operations do not generate any positive cash flow, and additional financing will be required;
  - (vii) there is no assurance that any of the Corporation's required exploration or mining authorization permits will be issued or, if issued, will not be revoked by a government or challenged by third parties;
  - (viii) government regulations may adversely affect the Corporation's operations;
  - (ix) the Corporation is dependent on a relatively small number of key personnel; and
  - (x) environmental compliance may involve significant costs.

**Summary of Financial Information:**

The following table sets out selected financial information from the Corporation's unaudited condensed interim financial statements for the nine months ended June 30, 2012 and the audited financial statements for the years ended September 30, 2011, 2010 and 2009 attached to and forming part of this Prospectus and should be read in conjunction therewith. Readers should note that the audited numbers in the tables below for the years ended September 30, 2009, 2010 and 2011 have been reported under Canadian GAAP, while the unaudited numbers as of June 30, 2012 have been reported under International Financial Reporting Standards ("IFRS").

**Statement of Operations Data:**

	Nine months ended June 30, 2012 (Unaudited) (\$)	Year ended September 30, 2011 (Audited) (\$)	Year ended September 30, 2010 (Audited) (\$)	Year ended September 30, 2009 (Audited) (\$)
Revenues	Nil	Nil	Nil	Nil
Net Income (Loss) from Operations	(932,044)	(1,098,682)	(116,724)	(82,771)
Net Income (Loss)	(1,061,323)	(1,060,157)	(116,724)	(16,971)
Basic and Diluted Income (Loss) Per Share	(0.03)	(0.03)	(0.00)	(0.00)

**Balance Sheet Data:**

	Nine months ended June 30, 2012 (Unaudited) (\$)	Year ended September 30, 2011 (Audited) (\$)	Year ended September 30, 2010 (Audited) (\$)	Year ended September 30, 2009 (Audited) (\$)
Total Assets	7,529,730	7,608,016	4,256,491	4,312,586
Total Liabilities	1,122,981	675,837	618,054	557,425
Shareholder Equity	6,406,749	6,932,179	3,638,437	3,755,161

## THE CORPORATION

### Name, Address and Incorporation

Appia is a corporation formed by articles of incorporation under the CBCA on August 24, 2007. Pursuant to articles of amendment dated September 25, 2012, the Corporation removed the restrictions on transfer of its Common Shares.

The registered and head office of the Corporation is located at Suite 1010, 25 Adelaide Street East, Toronto, Ontario M5C 3A1.

The Corporation was incorporated for the purpose of the acquisition, exploration and development of mineral properties located primarily in Canada. See "*Description of the Business*".

### Intercorporate Relationships

The Corporation currently has no subsidiaries.

## DESCRIPTION OF THE BUSINESS

### Introduction

The Corporation is in the business of the acquisition, exploration and development of mineral properties. Currently, the Corporation owns a 100% interest in 100 staked mining claims located in Buckles, Bouck, Beange, Bolger, Gunterman, Joubin and Lehman Townships near the town of Elliot Lake (the "**Property**"). The Corporation also holds between a 50% and a 90% interest in 10 mineral properties totalling 26,657ha in the Athabaska Basin of Saskatchewan which are prospective for uranium and rare earths (the "**Saskatchewan Claims**").

As of the date of this Prospectus, the Corporation does not have any reportable segments pertaining to its operations. As of the date of this Prospectus, there were no bankruptcy, receivership or similar proceedings against the Corporation or any voluntary bankruptcy, receivership or similar proceedings by the Corporation or its predecessors since its inception.

### Acquisition of the Property

On November 1, 2007, the Corporation entered into agreement (the "**CEC Vending Agreement**") with Canada Enerco Corp. ("**CEC**"), a corporation controlled by a Director and officer of the Corporation, pursuant to which the Corporation acquired a 100% interest in sixty-one (61) of the claims (the "**CEC Claims**") comprising a part of the Property in consideration for 35,000,000 Common Shares of the Corporation and a 1% Uranium Production Royalty and a 1% Net Smelter Returns Royalty in respect of precious and base metals on the CEC Claims both where the price of uranium exceeds US\$130 per pound (collectively the "**CEC Royalties**"). The CEC Claims are subject to an area of interest provision whereby any mining claims acquired by the Corporation within 20 kilometres from the existing boundary of the CEC Claims are subject to the CEC Royalties. On November 2, 2007, the Corporation also entered into two (2) share option agreements with CEC whereby the Corporation had the option to buy back 1,000,000 of the Common Shares issued to CEC at the price of \$1 per share, expiring August 31, 2008 and the option to buy back 9,000,000 Common Shares issued to CEC at the price of \$2 per share, subject to adjustment downward, in tranches of 1,000,000 shares, expiring November 2, 2012. In the fiscal year ended September 30, 2008, the Corporation exercised the first option to buy back 1,000,000 Common Shares by the payment to CEC of \$1,000,000. These shares were returned to treasury for cancellation in fiscal 2009. The second option was conditional upon the Corporation spending at least \$10 million on exploration on the Property prior to November 1, 2011, to define an NI 43-101 compliant uranium mineral resource on the Property. The maximum purchase price for the option was to be determined as \$0.10 multiplied by the number of pounds of uranium resource defined in the NI 43-101 report. In the event that the maximum purchase price was less than \$20 million, the option price of the 9,000,000 Common Shares would be adjusted to equal the maximum purchase price divided by 10,000,000. The



Corporation did not spend the required \$10 million on exploration and the second option expired on November 1, 2011. Two (2) of the CEC Claims (the “**Denison Claims**”) were transferred to Denison Mines Inc. (“**Denison**”) pursuant to an Assignment and Royalty Agreement dated July 22, 2009 (the “**Denison Agreement**”) leaving fifty-nine (59) active claims. The Corporation retains a 3% Net Smelter Returns Royalty on the sale of any product produced from ore mined from the Denison Claims. The Denison Claims remain subject to the CEC Royalties. Pursuant to the Denison Agreement, the Corporation was granted a right of access to or over the surface of any surface rights held by Denison in the Elliot Lake area as well as access to all of Denison’s workings and operations to facilitate the exploration and development of any mining claims in the Elliot Lake area in which the Corporation has a beneficial interest, subject to certain restrictions.

On February 27, 2008, the Corporation entered into a Vending Agreement (the “**Patrie Agreement**”) with Dan Patrie Exploration Ltd. to acquire a further six (6) claims (the “**Patrie Claims**”) that comprise part of the Property in consideration for \$20,000 in cash, 50,000 Common Shares valued at \$1.00 per share and a 1% Uranium Production Royalty on the Patrie Claims for all Uranium sold at a price of at least US\$130 per pound (the “**Patrie Royalty**”). The Corporation can repurchase one-half of the Patrie Royalty for \$1,000,000 and the Corporation has a right of first refusal on the remaining portion of the Patrie Royalty.

A further thirty-five (35) staked claims were acquired by the Corporation (the “**Staked Claims**”) and are subject to the CEC Royalties. Pursuant to a royalty agreement dated February 2, 2012 (the “**Royalty Agreement**”), CEC and the Corporation clarified the terms of the CEC Royalties.

The Corporation is subject to an Assumption of Obligations Agreement (the “**EMC Agreement**”) dated November 2, 2007 among the Corporation, CEC, Quincy Gold Corp. and Energy Metals Corporation (“**EMC**”) (now owned by Uranium One Inc.) pursuant to which EMC has the right to purchase from the Corporation, at the offering price, up to 9.9% of the Common Shares issued pursuant to the first public offering of securities by the Corporation by prospectus resulting in the listing of the Corporation’s securities on a stock exchange. Alternatively, if the Corporation effects a reverse takeover, merger or other business combination with a company listed on a recognized stock exchange, EMC will have the right to purchase, on closing of the transaction, up to 9.9% of the securities of the resulting company at the same price as securities are issued for the acquisition of the Corporation.

### **Three Year History**

The Corporation was formed in August of 2007. From its formation, the Corporation had not undertaken any significant business activity other than the acquisition of the Property and the Saskatchewan Claims, exploration activities on the Property and the issuance of its securities for cash.

### **Share Issuances**

No financings were completed in the fiscal years ended September 30, 2009 or 2010.

During the fiscal year ended September 30, 2011, the Corporation issued 1,385,833 flow-through units priced at \$1.50 per unit for gross proceeds of \$2,078,750. Each flow-through unit consisted of one flow-through share and one-half of a share purchase warrant with each full warrant entitling the holder to acquire a further Common Share at \$1.50 for one year from closing. The Corporation also issued 1,082,000 units priced at \$1.25 per unit for gross proceeds of \$1,477,500. Each unit consisted of one Common Share and one-half of a share purchase warrant with each full warrant entitling the holder to acquire a further Common Share at \$1.25 for one year from closing.

Subsequent to September 30, 2011, the Corporation issued 9,000 flow-through units priced at \$1.50 per unit for gross proceeds of \$13,500. Each flow-through unit consisted of one flow-through share and one-half of a share purchase warrant with each full warrant entitling the holder to acquire a further Common Share at \$1.50 for one year from closing. The Corporation also issued 22,720 units priced at \$1.25 per unit for gross proceeds of \$28,400. Each unit consisted of one Common Share and one-half of a share purchase warrant with each full warrant entitling the holder to acquire a further Common Share at \$1.25 for one year from closing. For further details on these issuances please see “Prior Sales”.

## THE PROPERTY

The following disclosure concerning the Property is taken from the report titled “A Technical Review of the Appia Energy Corp. Rare Earth Metal-Uranium Property, Elliot Lake District, North-Central Ontario, Canada” dated July 18, 2011 written by Al Workman, P. Geo and Kurt Breede, P. Eng (collectively the “**Authors**”) of Watts, Griffis and McOuat Limited (the “**Technical Report**”). The Technical Report has been prepared in accordance with the requirements of National Instrument 43-101- “Standards of Disclosure for Mineral Projects (“**NI 43-101**”).

### Property Description and Location

#### *General Location*

The Property comprises a group of 100 mineral claims located in Buckles, Bouck, Beange, Bolger, Gunterman, Joubin and Lehman Townships and near the town of Elliot Lake in northcentral Ontario. Elliot Lake is located on Highway 108 approximately 26 km north of Highway 17, also known as the Trans-Canada Highway. The area is situated in UTM zone 17. The geographic co-ordinates of the town of Elliot Lake are 46°23'N latitude and 82°39'W longitude. The map below shows the location of the Property.



#### *Property Location*

The Property is located in Buckles, Bouck, Beange, Bolger, Gunterman, Joubin and Lehman Townships in northcentral Ontario. The claims are unpatented and have not been surveyed. As is typical for exploration properties, Appia does not own the surface rights to the underlying mineral claims. The surface rights to the claims

belong to the Crown and some belong to the City of Elliot Lake. Surface rights can be acquired and there is sufficient area to construct the infrastructure necessary for mining and processing operations.

***Property Administration and Status***

The Property consists of 100 staked mining claims with recording dates ranging from 19 October, 2004 to 11 December, 2009 as set out in the table below. Originally, 58 of the claims were held by CEC, however 100% ownership in these claims was transferred to Appia on 27 July, 2009. As can be seen from the following table, excess expenditures have been filed against the claims ensuring that they remain in good standing.

Location of Appia Claim Blocks

Township <sup>1</sup>	Claim Number	Recording Date	Due Date	Status	Ownership	Work Required	Total Applied	Total Reserve
BEANGE	<u>4201498</u>	2005-May-02	2013-May-02	Active	100%	\$4,800	\$28,800	\$0
BEANGE	<u>4201499</u>	2005-May-02	2013-May-02	Active	100%	\$4,000	\$24,000	\$0
BEANGE	<u>4201500</u>	2005-May-02	2013-May-02	Active	100%	\$6,400	\$38,400	\$0
BEANGE	<u>4201501</u>	2005-May-02	2013-May-02	Active	100%	\$6,400	\$38,400	\$85,693
BEANGE	<u>4201502</u>	2005-May-02	2013-May-02	Active	100%	\$6,400	\$38,400	\$0
BEANGE	<u>4201503</u>	2005-May-02	2013-May-02	Active	100%	\$6,000	\$36,000	\$0
BEANGE	<u>4201504</u>	2005-May-02	2013-May-02	Active	100%	\$6,000	\$36,000	\$0
BEANGE	<u>4205717</u>	2005-Jun-28	2013-Jun-28	Active	100%	\$2,400	\$14,400	\$0
BEANGE	<u>4207326</u>	2005-May-02	2013-May-02	Active	100%	\$6,400	\$38,400	\$0
BEANGE	<u>4219904</u>	2007-Mar-27	2013-Mar-27	Active	100%	\$800	\$3,200	\$0
BEANGE	<u>4219907</u>	2007-Mar-27	2013-Mar-27	Active	100%	\$1,600	\$6,400	\$0
BEANGE	<u>4219941</u>	2007-Mar-27	2013-Mar-27	Active	100%	\$1,600	\$6,400	\$0
BEANGE	<u>4219969</u>	2007-Mar-27	2013-Mar-27	Active	100%	\$1,200	\$4,800	\$0
BEANGE	<u>4219977</u>	2007-Mar-27	2013-Mar-27	Active	100%	\$1,600	\$6,400	\$0
BEANGE	<u>4243832</u>	2008-Sep-12	2013-Sep-12	Active	100%	\$1,600	\$4,800	\$0
BEANGE	<u>4248859</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$1,600	\$1,600	\$0
BEANGE	<u>4248860</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$6,400	\$6,400	\$0
BOLGER	<u>4219968</u>	2007-Mar-27	2013-Mar-27	Active	100%	\$2,400	\$9,600	\$0
BOLGER	<u>4248857</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$1,600	\$1,600	\$0
BOLGER	<u>4248858</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$3,200	\$3,200	\$0
BOUCK	<u>3019176</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$3,600	\$18,000	\$0
BOUCK	<u>3019177</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$3,200	\$16,000	\$351,866
BOUCK	<u>3019230</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$6,400	\$32,000	\$310
BOUCK	<u>3019231</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$6,400	\$32,000	\$0
BOUCK	<u>3019232</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$4,800	\$24,000	\$0

## Location of Appia Claim Blocks

Township <sup>1</sup>	Claim Number	Recording Date	Due Date	Status	Ownership	Work Required	Total Applied	Total Reserve
BOUCK	<u>3019233</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$3,200	\$16,000	\$0
BOUCK	<u>3019234</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$4,800	\$24,000	\$458,808
BOUCK	<u>4205718</u>	2005-Jun-28	2013-Jun-28	Active	100%	\$400	\$2,400	\$0
BOUCK	<u>4207259</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$4,000	\$20,000	\$0
BOUCK	<u>4207262</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$6,000	\$30,000	\$0
BOUCK	<u>4215011</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$400	\$1,600	\$0
BOUCK	<u>4215012</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$3,200	\$12,800	\$0
BOUCK	<u>4215013</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$1,200	\$4,800	\$0
BOUCK	<u>4215302</u>	2006-Dec-29	2013-Dec-29	Active	100%	\$1,600	\$8,000	\$0
BOUCK	<u>4218619</u>	2007-Aug-01	2013-Aug-01	Active	100%	\$4,000	\$16,000	\$0
BOUCK	<u>4219908</u>	2007-Mar-30	2013-Mar-30	Active	100%	\$400	\$1,600	\$0
BOUCK	<u>4221243</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$5,200	\$36,400	\$0
BOUCK	<u>4221244</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$2,800	\$19,600	\$0
<b>BOUCK</b> <sup>2</sup>	<u>4221245</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$6,400	\$44,800	\$0
BOUCK	<u>4248854</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$400	\$400	\$0
BOUCK	<u>4248855</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$400	\$400	\$0
BUCKLES	<u>3009193</u>	2004-Oct-19	2012-Oct-19	Active	100%	\$1,200	\$7,200	\$0
BUCKLES	<u>4201526</u>	2004-Nov-16	2013-Nov-16	Active	100%	\$800	\$5,600	\$0
BUCKLES	<u>4202357</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$800	\$5,600	\$169,870
BUCKLES	<u>4202381</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$6,400	\$44,800	\$163,015
<b>BUCKLES</b> <sup>3</sup>	<u>4205719</u>	2005-Jun-28	2013-Jun-28	Active	100%	\$4,800	\$28,800	\$0
<b>BUCKLES</b> <sup>4</sup>	<u>4215303</u>	2006-Dec-29	2013-Dec-29	Active	100%	\$5,200	\$26,000	\$0
BUCKLES	<u>4215314</u>	2006-Dec-21	2012-Dec-21	Active	100%	\$2,000	\$8,000	\$110
BUCKLES	<u>4215315</u>	2006-Dec-21	2016-Dec-21	Active	100%	\$400	\$3,200	\$349
BUCKLES	<u>4216851</u>	2007-Nov-13	2013-Nov-13	Active	100%	\$6,000	\$24,000	\$0
BUCKLES	<u>4216852</u>	2007-Nov-13	2013-Nov-13	Active	100%	\$6,400	\$25,600	\$0
BUCKLES	<u>4216869</u>	2007-Nov-13	2013-Nov-13	Active	100%	\$6,400	\$25,600	\$0
<b>BUCKLES</b> <sup>5</sup>	<u>04216870</u>	2007-Nov-13	2013-Nov-13	Active	100%	\$6,400	\$25,600	\$0
BUCKLES	<u>4216871</u>	2007-Nov-13	2013-Nov-13	Active	100%	\$4,800	\$19,200	\$0
BUCKLES	<u>4216872</u>	2007-Nov-13	2013-Nov-13	Active	100%	\$1,200	\$4,800	\$0

## Location of Appia Claim Blocks

Township <sup>1</sup>	Claim Number	Recording Date	Due Date	Status	Ownership	Work Required	Total Applied	Total Reserve
BUCKLES	<u>4219974</u>	2007-Apr-13	2013-Apr-13	Active	100%	\$400	\$1,600	\$0
BUCKLES	<u>4219978</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$400	\$2,800	\$0
BUCKLES	<u>4219979</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$400	\$2,800	\$0
BUCKLES	<u>4219980</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$400	\$2,800	\$0
<b>BUCKLES <sup>2</sup></b>	<u>4221246</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$6,000	\$42,000	\$0
<b>BUCKLES <sup>3</sup></b>	<u>4221249</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$6,000	\$42,000	\$0
BUCKLES	<u>4221250</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$6,400	\$44,800	\$208,663
BUCKLES	<u>4221251</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$4,000	\$28,000	\$111,180
BUCKLES	<u>4221252</u>	2004-Oct-19	2013-Oct-19	Active	100%	\$6,400	\$44,800	\$0
BUCKLES	<u>4222197</u>	2008-Feb-19	2013-Feb-11	Active	100%	\$4,800	\$4,800	\$0
BUCKLES	<u>4222202</u>	2008-Feb-19	2013-Feb-11	Active	100%	\$6,000	\$6,000	\$0
BUCKLES	<u>4222203</u>	2008-Feb-19	2013-Feb-11	Active	100%	\$800	\$800	\$0
BUCKLES	<u>4226849</u>	2008-Aug-21	2013-Aug-21	Active	100%	\$1,600	\$4,800	\$0
BUCKLES	<u>4226852</u>	2008-Aug-21	2013-Aug-21	Active	100%	\$1,600	\$4,800	\$0
BUCKLES	<u>4228612</u>	2008-Jan-24	2014-Jan-24	Active	100%	\$1,200	\$4,800	\$0
BUCKLES	<u>4228970</u>	2008-Feb-19	2013-Feb-19	Active	100%	\$1,600	\$4,800	\$0
BUCKLES	<u>4228971</u>	2008-Feb-19	2013-Feb-19	Active	100%	\$400	\$1,200	\$0
GUNTERMAN	<u>3019178</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$1,200	\$6,000	\$0
GUNTERMAN	<u>3019179</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$4,400	\$22,000	\$0
GUNTERMAN	<u>3019180</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$2,400	\$12,000	\$0
GUNTERMAN	<u>4215008</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$4,800	\$19,200	\$0
GUNTERMAN	<u>4215009</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$800	\$3,200	\$0
GUNTERMAN	<u>4215010</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$800	\$3,200	\$0
GUNTERMAN	<u>4215014</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$4,800	\$19,200	\$0
GUNTERMAN	<u>4215015</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$1,600	\$6,400	\$0
GUNTERMAN	<u>4217961</u>	2008-Feb-19	2013-Feb-07	Active	100%	\$1,200	\$1,200	\$0
GUNTERMAN	<u>4218458</u>	2008-Feb-19	2013-Feb-07	Active	100%	\$1,200	\$1,200	\$0
GUNTERMAN	<u>4218459</u>	2008-Feb-19	2013-Feb-07	Active	100%	\$1,600	\$1,600	\$0
GUNTERMAN	<u>4218461</u>	2008-Feb-19	2013-Feb-07	Active	100%	\$1,200	\$1,200	\$0
GUNTERMAN	<u>4218620</u>	2007-Aug-01	2013-Aug-01	Active	100%	\$2,400	\$9,600	\$0

## Location of Appia Claim Blocks

Township <sup>1</sup>	Claim Number	Recording Date	Due Date	Status	Ownership	Work Required	Total Applied	Total Reserve
GUNTERMAN	<u>4218621</u>	2007-Aug-01	2013-Aug-01	Active	100%	\$4,000	\$16,000	\$0
GUNTERMAN	<u>4248851</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$3,200	\$3,200	\$0
GUNTERMAN	<u>4248852</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$4,000	\$4,000	\$0
GUNTERMAN	<u>4248853</u>	2009-Dec-11	2012-Dec-11	Active	100%	\$1,600	\$1,600	\$0
JOUBIN	<u>3019312</u>	2006-Dec-21	2013-Dec-21	Active	100%	\$6,000	\$30,000	\$0
JOUBIN	<u>3019313</u>	2007-Feb-02	2013-Feb-02	Active	100%	\$3,600	\$14,400	\$0
JOUBIN	<u>4205720</u>	2005-Jun-28	2013-Jun-28	Active	100%	\$3,600	\$21,600	\$0
<b>JOUBIN</b> <sup>3</sup>	<u>4214928</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$400	\$1,600	\$0
JOUBIN	<u>4215016</u>	2007-Feb-27	2013-Feb-27	Active	100%	\$1,600	\$6,400	\$0
JOUBIN	<u>4215309</u>	2006-Dec-29	2013-Dec-29	Active	100%	\$4,800	\$24,000	\$0
<b>JOUBIN</b> <sup>4</sup>	<u>4215313</u>	2007-Feb-02	2013-Feb-02	Active	100%	\$3,600	\$14,400	\$0
JOUBIN	<u>4226850</u>	2008-Aug-21	2013-Aug-21	Active	100%	\$3,600	\$10,800	\$0
JOUBIN	<u>4226862</u>	2008-Aug-21	2013-Aug-21	Active	100%	\$3,600	\$10,800	\$0
JOUBIN	<u>4226863</u>	2008-Aug-21	2013-Aug-21	Active	100%	\$3,600	\$10,800	\$0
LEHMAN	<u>4243828</u>	2008-Sep-12	2013-Sep-12	Active	100%	\$6,400	\$19,200	\$0
Totals						\$324,400.00	\$1,504,400.00	\$1,549,864.00

## Notes:

- (1) The township is designated as per the location of the #1 claim post.
- (2) Surface Rights Exclusion - The surface rights of these two (2) claims are the subject of an agreement between CEC and the City of Elliot Lake dated November 1, 2005.
- (3) Environmental Exclusion - These three (3) claims are the subject of a Canada Nuclear Safety Commission decommissioning licence.
- (4) Surface Rights Exclusion - The surface rights of these two (2) claims are the subject of an agreement between CEC and the City of Elliot Lake dated January 19, 2009.
- (5) This claim number was issued by the Ministry of Northern Development and Mines ("MNDM") twice and the Ministry determined that the Appia claim should receive a "0" prefix to reduce confusion rather than issue a replacement claim number.

The anniversary dates for the individual claims comprising the Property are shown in the table above. The total work commitment required to maintain the claims in good standing is C \$324,400 per year. At this time, Appia has filed excess expenditures totalling C \$1,549,864 which remain in reserve for meeting future requirements. Appia has no relinquishment plans at this time, and does not see a need to relinquish any claims in the future.

Certain of the mining claims (#4214928, 4221249 and 4205719), while valid, are currently subject to a decommissioning licence issued under the *Nuclear Safety and Control Act*. The licence holder, Denison Mines Inc., is obligated to undertake a work program relating to control of environmental impacts and restoration of the land. Appia is required to avoid exploration activities that might interfere with the execution of such work programs. Denison does not have the authority to grant access to these claims for the purpose of exploration drilling.

CEC transferred some surface rights to the City of Elliot Lake under an agreement dated 1 November 2005, to allow the construction of a road. The mining claims so affected were 4221245 and 4221246. A similar agreement on 12

January, 2009 transferred the surface rights for road construction to the City of Elliot Lake on claims 4215313 and 4215303.

A block of claims in Buckles Township at the eastern end of the Property were previously the subject of an option agreement between CEC and EMC which had an option to earn a 50% interest. That option has been relinquished, and all outstanding shares of EMC have been purchased by Uranium One Inc. In exchange for terminating the option agreement, CEC issued C \$250,000 worth of stock (250,000 Common Shares) of Appia to EMC (now Uranium One). In turn, CEC and now Appia, must maintain in good standing those claims that were subject to the original agreement until such time as Appia completes an initial public offering (“**IPO**”). In addition, Uranium One retains the right to participate in any Appia financing (for up to 9.9%) until and including an IPO or reverse take-over. These claims cover the historical uranium resource located in the Teasdale Zone which is described in later sections hereof. No other Appia claim units are under option to a second party at this time.

Lastly, pursuant to the Denison Agreement, Appia conveyed Denison the right to construct a new tailings infrastructure on claims numbered 4221247 and 4221248 in exchange for a 3% net smelter royalty on any production from the subject claims. Denison also granted Appia the right of access onto claims held by Denison in the Elliot Lake area as well as the right to use former Denison mine workings to facilitate the exploration and development of Appia’s Elliot Lake Project.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

#### *Access*

The Property is located approximately mid-way between the city of Sudbury (126 km by road to the east) and the city of Sault Ste. Marie (181 km to the west). It can be reached via the Trans-Canada Highway (#17), and then via Highway #108 approximately 26 km north to the town of Elliot Lake. The town can be reached by regular northern Ontario bus service, but it is not currently serviced by air. Regularly scheduled air travel from Toronto is available on a daily basis into both Sudbury and Sault Ste. Marie.

#### *Climate*

The Elliot Lake area has a northern boreal climate, moderated by its proximity to Lake Huron, with warm summers and cold dry winters. The coldest months are January and February which average -17° to -18°C. The summers are hottest during July and August with maximum temperatures of 22° to 24°C, however, summer nights tend to be cool with minimum temperatures of 11° to 12°C.

Most of the precipitation in Elliot Lake falls during the spring months of April through May and during September and October. Absolute summer and winter temperatures are moderated by the area’s proximity to Lake Huron, one of the largest of the Great Lakes. Although on a latitude equal to that of Kirkland Lake, the Elliot Lake area does not experience the cold weather that the former centre receives.

#### *Local Resources*

Elliot Lake, with a 2006 population of 11,549, is a small fraction of its former size during the uranium boom of the 1970’s when its population exceeded 30,000. It is now a local supply centre for recreation areas in the north, offering a wide variety of food sources as well as general mechanical supplies and services (equipment repair, welding, auto maintenance etc). All the major Canadian banks are represented in the city: Royal Bank of Canada, TD-Canada Trust, Bank of Nova Scotia, CIBC and the Bank of Montreal.

The Ontario government maintains two offices in Elliot Lake: the Office of the Worker Advisor which operates under the Ministry of Labour, and an office of the Ministry of Northern Development and Mines.

A new integrated health centre has been constructed in Elliot Lake that houses the community’s doctors and other health care professionals. The city is serviced with 24-hour 911-response ambulance service provided by the Algoma District Services Administration Board. The board provides one on-site ambulance and crew 24 hours a day and an additional crew on weekdays from 8 to 4 pm for transfers to service the other outlying areas. For

emergency transportation to other centres, a helicopter landing pad is located at the Elliot Lake Hospital. Air Bravo Corporation operates an air ambulance service, servicing all of northeastern Ontario and provides charter services. Policing services in Elliot Lake are provided by the Elliot Lake detachment of the Ontario Provincial Police (OPP). Officers patrol the streets and are on duty 24 hours a day 7 days a week. The Elliot Lake fire service provides 24-hour service with a complement of 34 firefighters. They have a fully equipped fire hall with an aerial pumper and a complement of rescue vehicles.

Elliot Lake is located near the northern margin of the developed corridor along the Trans-Canada Highway. As a result, there are no paved roads extending more than 20 km north of the city. Elliot Lake Municipal Airport has no regularly scheduled flights, and is currently being used for occasional auto racing.

Local and long-distance communication facilities are well developed in Elliot Lake, and many hotels can provide internet services.

Most types of field supplies and equipment are readily available in Elliot Lake, although the selection is not as complete as might be found from major suppliers in the south. Outdoor recreation equipment is generally in good supply in order to support the local recreational community. Other supplies such as office equipment and materials are readily available.

### ***Infrastructure***

The Property is situated in the Elliot Lake uranium mining camp. Located at the end of a regional highway, the city of Elliot Lake contains a full complement of local Government, health, education and other services. The town has good drinking water, sewage treatment, communications and electrical services which are sufficient to support mining operations.

### ***Agriculture***

There is relatively little agriculture in the project area due to the thin soils and the short growing period having only 112 frost-free days (versus 160 days for Toronto), both representing major obstacles to market-oriented agricultural development. Some private gardens are grown locally to produce vegetables for local consumption.

Silvaculture is a major industry in the area which produces pine and spruce for the construction industry, as well as cedar and a few hardwoods such as birch as specialty woods. Some renewed cutting is expected in the area of the Property.

### ***Physiography***

Located in the Canadian Shield, the project area is gently rolling with occasional bedrock scarps as much as 25 m in height. Elevations range from approximately 300 to 500 metres above sea level. The city of Elliot Lake is situated at 312 m above sea level. The area is dotted with a great number of lakes which is typical of the shield. The largest of these is Quirke Lake. The lakes drain towards the south into the North Channel, a body of water which forms part of Lake Huron.

Soils in the project area are generally thin as a result of protracted periods of glaciation during the Pleistocene age. Areas between bedrock ridges are generally filled with glacial till with an upper muskeg or peat-covered surface. Drainage may be poor locally.

## **History**

### ***Regional Exploration History***

The discovery of pitchblende on the shore of Great Bear Lake, NWT in 1930 and the discovery of uranium at Beaverlodge, northern Saskatchewan in 1952 broke the monopoly that the Belgian Congo had on the production of uranium ores. During 1948, a modest staking rush occurred in the area now known as the Blind River District. Several samples from Long Township, 122 km east of Sault Ste. Marie contained low but measurable amounts of



uranium. Having examined mineralized samples during 1949, famed geologist Frank Joubin was convinced that surface oxidation of pyrite had resulted in the acidic leaching of uranium from the rocks. Joubin managed to persuade Joe Hirshhorn to finance a drilling program at Elliot Lake. Of 56 samples sent for analysis, 50 returned values that were economically interesting averaging 0.11%  $U_3O_8$ . Convinced they were onto a major discovery, they flew in stakers and managed to stake 1,400 claims covering 56,000 acres which were simultaneously filed on 11 July, 1953 within the prescribed 30 day period of the first claim date. The claims were parcelled into groups, each group allocated to a newly formed company.

Two weeks after Joubin and Hirshhorn registered their claims, Art Stollery, Fred Jowsey and James Kenney staked 83 claims on what they considered to be the best remaining ground. Stephen B. Roman, convinced that they had something good, optioned the claims through his company North Denison Mines Ltd. paying \$30,000 in cash and 500,000 shares. The first drill hole was completed to a depth of 2,706 feet in late 1954. Although this hole failed to intersect economically interesting mineralization, the next 28 holes were successful, outlining a uranium deposit that was more than 2.4 km in length totalling more than 200 million tons grading an estimated 2.5 lbs  $U_3O_8$  per ton. It was on the foundations of this discovery that the Denison mining empire was founded.

The surface exploration work and diamond drilling initially carried out in the Elliot Lake area in the 1960s and 1970s, and in areas now held by Appia, was completed as part of the deposit evaluation and ore definition process that gave rise to the historical mines. Little work was done during the 1980s as uranium prices were in decline.

### *Mining History*

#### **General Overview**

During 1956, the Quirke Mine at Quirke Lake and the Nordin Mine near Elliot Lake commenced operations under the new companies Preston East Dome and Algom Uranium Mines Limited. Eldorado, the federal Crown corporation which was the sole buyer of Canadian uranium production, gave a \$206M uranium supply contract to Algom and a \$55M contract to Pronto. However, before the Algom Mine could begin production, the company was taken over by the U.K.'s Rio Tinto Limited (Rio Tinto). By the end of 1957, Rio Tinto had also bought control of Nordic Uranium Mines Ltd. and merged its interests in three additional mines into Northspan Uranium Mines Limited. Finally Rio Tinto acquired Milliken Lake Uranium Mines from Hirshhorn. By the end of 1958, Rio Tinto had seven mines in operation supplying 40% of Canada's uranium concentrate production: Algom Quirke, Nordic, Pronto, Milliken Lake and three Northspan mines.

At this same time, another small explorer named Stanrock Uranium Mining Ltd. commissioned its mill in 1958 and started production. Realizing the value of high yttrium ("Y") contents in the Elliot Lake ores, Stanrock began producing yttrium as a by product in 1965. The production was quite simple as the metal went into solution together with uranium. After the uranium ores were stripped from the pregnant solution, the leachate containing approximately 75% of the Y and 20% of the other rare earth elements ("REEs") plus some thorium was neutralized with lime and injected air in Pachuka tanks to a pH of about 8.5. Following this, the oxidized slurry was thickened and the sediment bearing Y-rich underflow was recovered for further treatment. Yttrium and rare earths were re-dissolved using sulphuric acid to generate a solution with a pH of about 4.2 from which other metal solids (Fe, Th, Al) were filtered off. The resulting second stage solution was then neutralized with ammonia gas causing the rare earths and yttrium to be precipitated. The sludge was then thickened and dried.

During this same period, Denison sank two shafts on its discovery, one a 5-compartment and the other a 7-compartment shaft, and a mill was constructed to process 6,000 tons per day. Eventually reorganized as Denison Mines Ltd., the company negotiated a \$280,600,000 contract to supply 28 M lbs of  $U_3O_8$  to the United States between 1957 and November, 1963. When supply contracts to the United Kingdom were added to this, nearly \$500M of uranium was sold by 1963.

In 1959, the United States announced that it would no longer accept Canadian uranium production, although existing contracts were extended into 1966. As a result, the Algom, Northspan, Pronto and Milliken Mines were reorganized under a single company, Rio Algom Mines Ltd. However, as contracted deliveries were completed, the mines closed until only the Nordic Mine and the Denison Mine were operating during 1965.

Denison's production fell from 5,379,168 lbs of  $U_3O_8$  during 1961 to 3,950,364 lbs during 1964 while during the same period uranium recovery rose from 93.18% to 95.57%.

In 1966, Stephen Roman forecast that uranium consumption for peaceful nuclear power generation would soon outpace predicted uranium requirements for all other purposes. He was correct, but international forces intervened in the supply-demand curve, and this had a profound impact not only on mine production, but also on uranium exploration in Canada.

Having observed the Stanrock yttrium operation, Denison decided to capitalize on the growing market for yttrium which had previously been identified as a potential by-product in Elliot Lake ores. In 1966 a yttrium circuit was added to Denison's mill and production started later that year with 10,307 kg (22,724 lbs) of  $Y_2O_3$  produced. The following year, the Elliot Lake camp reached a zenith in its output with 78,268 kg (172,551 lbs) of  $Y_2O_3$  produced. The camp's output gradually diminished as the US market turned more and more to lower cost production from its own mines, including the Mountain Pass Mine in California, a major producer of cerium and lanthanum. By 1970, the output was only 33,112 kg (73,000 lbs). No production was recorded in 1971 or '72. Stanrock merged with Denison Mines Ltd. in 1973, a year that saw only 181 kg (400 lbs) of  $Y_2O_3$  produced, but the yttrium market revived the following year which saw a collective output of 39,366 kg (86,787 lbs) of  $Y_2O_3$  from the Elliot Lake mines. During the period 1975 through 1977, output from the Denison mine alone averaged 30,545 kg (67,340 lbs) of yttrium oxide, however by 1978 yttrium production became uneconomic due to increased reagent costs.

Driven by market demand, the international price for uranium oxide rose above all previous highs reaching \$43.40 per pound during the summer of 1978. This up-swing in commodity prices enabled many of the Elliot Lake uranium mines to resume production, including the Agnew Lake Mine to the east, and fuelled a second uranium exploration boom in the Elliot Lake area.

Those forces contended with the Three Mile Island accident on 30 March, 1979, described by veteran news commentator Walter Cronkite as "the worst nuclear accident of the atomic age". The fact that the accident was in fact a faulty pressure release valve that resulted in only a minor release of radioactivity was lost on the general public, and a major slow-down in reactor construction in the United States did result. What hurt the uranium exploration sector and mining industry far more was the ever accumulating overhang in uranium stockpiles.

In the late 1980s, the main contractor for uranium from Elliot Lake mines was the province's public energy utility Ontario Hydro. Political pressure on the government and softening international uranium prices forced the government to renegotiate its contracts with Denison Mines Ltd. Faced with high mining costs, the last remaining uranium mines in the Blind River Area were forced to close. Before closure, the Denison and Agnew Lake mines attempted various innovative means to drastically reduce mining costs, such as through in-stope flooding (in-situ leaching) and heap leaching, but recoveries failed to meet expectations. In 1985, Denison evaluated the potential of supplying 300,000 pounds of yttrium oxide per year to Japan, a plan that was never realized as a result of the company's inability to sustain operations at its uranium mine.

The Agnew Lake Mine, located 80 km west of Sudbury in Hyman Twp., experienced similar difficulties with the down-turn in uranium markets brought about by the closure of the United States markets to Canadian uranium. Development work was suspended in 1970 due to low uranium prices, but by the mid 1970s recovering uranium prices supported a decision to dewater the mine to the 535 m (1,750 foot) level. In preparation for mining, a decline was driven from surface to the 580 m (1900 foot) level. It was collared on the north side of a ledge about 760 m south-southwest of the shaft. Underground development then proceeded to prepare a test stope for in-situ leaching ("ISL"), a relatively new technology at the time.

ISL was developed for use in fast-tracking sandstone-hosted uranium deposits to production in the southwestern United States. Rather than stripping overburden and open pit mining low grade resources, ISL allowed leachate to be injected into the uranium bearing formation via a series of injection wells, and extracted from the formation by a second series of wells. An outer ring of holes was used to dewater the formation and prevent leachate from migrating beyond the vicinity of the deposit and contaminating important aquifers. The holes were cased to the depth of the ore-bearing horizon. Key concerns for the use of ISL include the mineralogy of the uranium (must be ISL-leachable) and the permeability and porosity characteristics of the host formation. Excessive

clay alteration, for example, impedes leachate flow and uranium recoveries. Oxidation of the formation is also necessary to liberate uranium and a failure to provide sufficient oxidation can dramatically depress recoveries.

At the Agnew Lake Mine, the comparatively low primary permeability in the host formation prevented the use of conventional ISL. Therefore, the mine stope selected was prepared by closely spaced blast-hole development, and then explosives were used to induce permeability by pre-fracturing the ore. Leachate was then pumped into the sealed stope and re-circulated for a period of time. Uranium oxide was precipitated from the pregnant solution. The success of the Agnew Lake ISL test program led to a production decision in June, 1977 at a proposed production rate of 455,000 kg of  $U_3O_8$  per year to complement mine production from conventional long-hole, blast-hole stoping.

By the end of 1980, Kerr had 3,397,000 tonnes of material actively being leached. Initially a sprinkler system was used to spray the ore with leachate, but in full-scale operation, the overall leach efficiency (recovery rate) was lower than the test case. As a result, the sprinkler system was replaced by a flood leach system to enhance the recovery of uranium through greater saturation of the blasted and fractured in-situ ore by leachate. Despite Kerr's best efforts, the mine failed to achieve the anticipated rates of production, and underground development was terminated in May, 1980.

The 1984-85 Canadian Mines Handbook reports that, during 1982, 2,221,000 tons (2,130,000 t) of broken in-situ ore and 1,449,000 tons (1,315,000 t) of surface stockpiled ore was continuously leached until November when the leachate was drained in preparation for mine closure. The amount of uranium recovered from this 3.536 Mt of ore was not reported. All leaching ceased in early 1983 and production amounted to only 39,031 lbs or 19,533 kg of  $U_3O_8$  that year.

At one time, 13 uranium mines operated at Elliot Lake, most of which were owned by Rio Algom Limited. However the largest mine was the Denison Mine.

Much can be learned from the mining history of the camp. The mining of deeper and lower grading ores as near surface resources were depleted, offers insight into what might be accomplished today given significantly higher commodity prices. Most of this mining was completed using conventional room and pillar methods. The miners of the time also used innovative techniques including in-situ leaching and bio-leaching as alternative lower cost methods of production. The possibility that such techniques could be modified for use at present needs to be carefully assessed.

Denison Mines was one of the innovators in respect to the application of bio-leach technology. Since the early 1960s, the company used bacterial leaching as a salvage method for recovering additional uranium from mined out stopes, waste piles, ore left behind after mining and from pillars. At the Stanrock Mine, an independently developed bio-leaching program was implemented in 1964 and the following year 147,750 lbs of uranium oxide were produced using this technique. Bioleaching at the Stanrock operation continued until sometime in 1970. Stanrock's technology was developed independently and it was not until its amalgamation with Denison in 1973 that the two technologies were merged.

The "in-place" uranium bioleaching programs practiced at Elliot Lake consisted in part of spraying acidified mine water into mined-out stopes. Some flooding of stopes was also attempted, and additional in-place leaching was practiced on blasted, rubblized ore. Because the Elliot Lake area experiences cold winters, a distinct improvement in uranium recovery was observed during the warmer months. Biologically induced oxidation of the pyrite in the uranium ores generates sulphuric acid in place, and this in turn leaches uranium in the presence of an oxidant, namely ferric ions generated from bio-oxidation of pyrite. Similar processes are known to occur naturally in the Witwatersrand, South Africa area where some mine waters can contain moderately elevated uranium levels. Acidophilic iron-oxidizing bacteria are also able to leach uranium by oxidizing  $U^{4+}$  to  $U^{6+}$  in dilute sulphuric acid solution. The mechanism is generally considered to be indirect, i.e. the organisms maintain a high solution redox potential through oxidation of ferrous ions derived from iron sulphides in the ore. Ferric ions oxidize uraninite ( $UO_2$ ) to  $UO_2^{2+}$  which then forms soluble  $[UO_2(SO_4)_n]^{2-2n}$  species.

Denison established a task force in 1982 to examine the broader application of bacterial leaching to the recovery of uranium from its ores as a primary mining method. Denison's research contributed to a great

improvement in the effectiveness of the company's salvage operations. Follow-up laboratory work, financially and technically supported by the Canada Centre for Mineral and Energy Technology ("CanMet"), resulted in leach efficiencies of +/- 75% being achieved from trickle leaching and flood leaching. As a result, a decision was made in 1984 to proceed with full scale flood leach tests involving taking down pairs of stopes after conventional mining is completed. The prepared stopes were then sealed with concrete bulkheads and flooded and drained on a monthly basis over a period of 18 months to achieve 70% extraction. At one point, Denison had 90 flood leaching stopes in varying stages of operation, and more than 840,000 lbs of uranium oxide came from bacterial leaching in 1987. Recovery efficiencies were more or less governed by the size of ore fragmentation, however as the rock tended to break along mineralized planes, a direct relationship did not exist as many of the larger block sizes were generally unmineralized. A fragmentation size of 73% passing 4 inch (10 cm) screen was achieved using a 61 x 122 cm (2'x4') drilling pattern. After initial flooding, draining is required to provide oxygenation as part of the sulphide oxidation process. Additional air was also provided from 2 inch polyethylene pipes laid on the floor of the stopes before blasting. Heightened radon release was one undesirable collateral effect of the bioleach process resulting from the large quantities of broken rock underground. Additional ventilation requirements were met by both increased airflow and an exhaust system to draw off radon. Ventilation eventually became a major operating cost item in the Denison Mine.

Collectively, the foregoing Denison mines produced some 156 Mlbs of U<sub>3</sub>O<sub>8</sub> from 75 M tons of ore grading approximately 2.1 lbs U<sub>3</sub>O<sub>8</sub> per ton. The Rio Algom mines produced approximately 206 Mlbs of U<sub>3</sub>O<sub>8</sub> from 92 M tons of ore grading approximately 2.3 lbs U<sub>3</sub>O<sub>8</sub> per ton. The total production was approximately 362 Mlbs of U<sub>3</sub>O<sub>8</sub>.

The mining history for each of the mines is summarized in the following sections. These former producers are now managed under the Federal Nuclear Safety Commission and the Joint Review Commission, a body composed of Ontario government ministries and federal departments.

#### Denison Mines Limited

##### Can-Met Mine

The Can-Met Mine had a brief history of production commencing in May, 1958 and ending in April, 1961. During 1958 and 1959, production totalled approximately 2,495,709 lbs of U<sub>3</sub>O<sub>8</sub> from 1,477,160 tons of uranium ore averaging approximately 1.8 lbs/ton. The estimated production for 1960 was 1.1 M tons of ore at a similar grade.

##### Denison Mine

The Denison Mine was one of the great success stories of the Elliot Lake camp. In its first year of production in 1957, the mine produced some 2,145,360 lbs of U<sub>3</sub>O<sub>8</sub> from 908,972 tons of ore averaging 2.36 lbs/ton. The initial mill capacity was 3,000 tons/day and throughput for the first year averaged 2,676 tons/day. During the second and third years, capacity was doubled and throughput rose to an average of 5,672 tons by the end of 1959. During 1962, the milling rate was reduced as higher grade ores were mined – total production in 1963 was 5,078,760 lbs of U<sub>3</sub>O<sub>8</sub> from 1,586,600 tons of ore averaging 3.2 lbs/ton. Denison's generally higher grades persisted through 1971 after which uranium grades gradually declined. In the meantime, the plant went through a number of modifications with the addition of a yttrium oxide circuit in 1967. The plant was up-graded several times, and as Denison amalgamated with Stanrock Mines in 1973, up-grading of the mill and mechanization of the mine continued such that the uranium mill capacity was increased to 6,000 tons/day in 1976 and to 10,000 tons/day in 1979. The increased throughput was also implemented to allow Denison to maintain uranium output using lower grade ores which were averaging 2.03 lbs/ton during 1979 (4,495,757 lbs U<sub>3</sub>O<sub>8</sub> produced). Mill capacity was further increased to 15,000 tons/day in 1981 and the following year, production reached a record high of 6,132,000 lbs of U<sub>3</sub>O<sub>8</sub> from 4,025,000 tons of ore averaging 1.65 lbs/ton.

During 1984, 5,840,000 lbs of U<sub>3</sub>O<sub>8</sub> were produced, including 513,000 lbs from a heap leaching operation. During 1987, bacterial leaching was tested for the first time and 840,000 lbs of U<sub>3</sub>O<sub>8</sub> was recovered. Having produced more than 5 M lbs of U<sub>3</sub>O<sub>8</sub> in 1988, Denison's production commenced a rapid decline which saw only 3.56 M lbs produced in 1990 and approximately the same amount during 1991. Underground production ceased on 11 March, 1992, with the mine producing 727,576 lbs of U<sub>3</sub>O<sub>8</sub> from 464,163 tons of ore grading 1.65

lbs/ton. Total production for the mine was 146,618,806 lbs of  $U_3O_8$  from 69,484,027 tons of ore grading 2.2 lbs/ton. The average life of mine metal recovery was 95.4%.

The Denison Mine was also a major producer of yttrium oxide concentrates as a by-product. According to the Canadian Minerals Yearbook for 1980, the yttrium concentrates averaged 60% total rare earths of which the relative rare metal contents were 0.8%  $La_2O_3$ , 3.7%  $CeO_2$ , 1.0%  $Pr_6O_{11}$ , 4.1%  $Nd_2O_3$ , 4.5%  $Sm_2O_3$ , 0.2%  $Eu_2O_3$ , 8.5%  $Gd_2O_3$ , 1.2%  $Tb_4O_7$ , 11.2%  $Dy_2O_3$ , 2.6%  $Ho_2O_3$ , 5.5%  $Er_2O_3$ , 0.9%  $Tm_2O_3$ , 4.0%  $Yb_2O_3$ , 0.4%  $Lu_2O_3$  and 51.4%  $Y_2O_3$ . The recovery of total REEs to the concentrate averaged approximately 88.6%. Following the leaching of uranium ores and the stripping of uranium from the pregnant solution, the leachate contained approximately 75% of the Y and 20% of the other REEs from the ore plus some thorium. Lime and injected air was used to reduce the acidity of the solution in Pachuka tanks to a pH of about 8.5. The slurry was then thickened, and following decantation the yttrium-rich sediment was recovered for further treatment. Yttrium and rare earths were re-dissolved using sulphuric acid to generate a solution with a pH of about 4.2 from which other metal solids (Fe, Th, Al) were filtered off from the second stage solution. The rare earths were then precipitated a second time using ammonia gas, thickened and dried to produce a yttrium-rich mischmetal.

#### Stanrock Mine

Following the sinking of two shafts to 3,000 feet, the Stanrock Mine likely produced approximately 528,000 tons of ore during 1958. Mill capacity was 3,000 tons/day and approximately 822,000 lbs of  $U_3O_8$  were recovered. Ore treatment and uranium output are thought to have doubled the following year. Production reached a new high during 1961 when 2,103,688 lbs of  $U_3O_8$  were recovered from 1,111,442 tons of ore indicating a recovered grade of 1.89 lbs per ton. Conventional mining ceased during October, 1964, however a yttrium circuit was added in 1965 and a small amount of yttrium concentrate was produced. By that date, approximately 6,898,000 tons of ore had been mined from which 11,508,000 lbs of  $U_3O_8$  had been produced (recovered grade = 1.67 lbs/ton).

A bio-leaching program was implemented in 1964 and production of 147,750 lbs of uranium oxide was reported in 1965 followed by 142,806 lbs during 1966. Bioleaching continued until sometime in 1970, but additional production data were not available to WGM. The mine was placed on care and maintenance during 1971, and despite being acquired by Denison Mines through a corporate amalgamation on 12 February, 1973, the Stanrock Mine never returned to production.

#### Rio Algom Mines Ltd.

##### Algom Mine

The Algom Mine started mining on 21 October, 1957 with a mill rated at 3,000 tons per day starting production on 1 May of the following year. The mine closed on 30 September, 1959 after producing 2,495,709 lbs of  $U_3O_8$  from 1,477,160 tons of ore grading approximately 1.8 lbs/ ton. Average mill throughput was actually 2,485 tons per day.

##### Lacnor Mine

Few if any details of production from the Lacnor Mine are available because its production was consolidated with and reported as part of Rio Algom's total production. A summary record indicates that the mine produced 3.4 M tons of uranium ore between 1956 and 1960. A mill with a capacity of 3,800 tons/day was constructed during 1957 and production may have actually commenced during September of that year.

##### Nordic Mine

The Nordic Mine commenced production in 1957 with a mill rated at 3,000 tons/day, and maintained an average throughput of 2,722 tons/day. The mine closed in 1959 having milled a total of 3,131,826 tons from which 7,162,303 lbs of  $U_3O_8$  were produced for an average recovered grade of 2.29 lbs/ton (2.46 lbs/ton ore grade). Interestingly, the Nordic Mine was Canada's first producer of REE-bearing yttrium concentrates in 1964 however there appears to be no record as to the specific amounts produced.

### Milliken Mine

A 3,000 ton/day mill commenced operations on 11 March, 1958 at Milliken. Throughput that year averaged 2,575 tons/day, however output of 3,048 tons/day somewhat exceeded design capacity during 1959. During those two years, the mill processed 1,796,789 tons of ore and produced approximately 3.17 M lbs of  $U_3O_8$ . After 1959, the reports available to WGM showed mine production consolidated with other Rio Algom mines. The Milliken Mine produced for several years after that date, reportedly closing in 1964 after producing 6.4 M tons of ore.

### Panel Mine

A 3,000 ton/day mill was constructed at the Panel Mine. The mill commenced operations on 11 March, 1958 and closed on 30 June, 1964. During 1976, engineering studies were undertaken pursuant to increasing mill capacity to 3,300 tons/day and reopening the mine in late 1979. As of the end of 1978, \$71.8 M had been spent on refurbishment, and the mine restarted operations in 1980 producing 1,006,000 tons of ore (2,883 tons/day) grading 1.7 lbs/ton for 1,897,000 lbs of recovered uranium oxide. The mined grade increased to 2.0 lbs/ton during 1981 and likely declined thereafter.

Production at the Panel Mine is reported by Rio Algom in consolidation with others of its mines. Production in 1981 totaled 2,149,000 lbs of  $U_3O_8$  from 1,106,000 tons of ore. The mine continued some operations until its official closing on 31 August, 1990, however there appears to have been little or no production after 1988. Experiments with underground bacterial leaching were carried out during 1986 and the program was expanded during 1987. In 1988, the mine produced 370,000 lbs of  $U_3O_8$  from its underground leaching program. It is not known how much of this production, if any, was derived from conventional milling.

### Pronto Mine

Construction of a 1,000 ton/day mill at the Pronto Mine commenced during 1956 and production followed the next year, totalling 1,972,521 lbs of  $U_3O_8$  from only 507,122 tons of ore (recovered grade = 3.9 lbs/ton). Operations were suspended in May, 1960 by which time 7,007,999 lbs of uranium oxide had been produced from 1,633,788 tons of ore at an average recovered grade of 4.3 lbs/ton, a relatively high grade for the Elliot Lake camp. After uranium production ceased, the mill changed over to copper production and this operation continued until 1970 at a rate of 600-700 tons/day. During 1980, Rio Algom undertook studies to resume uranium production at Pronto, but declining prices prevented the mine's reactivation.

### Quirke Mine

The Quirke Mine was one of Rio Algom's more important uranium deposits at Elliot Lake. During late November 1956, a vertical shaft was constructed to a target depth of 1,220 feet with development on 9 levels. A 3,000 ton/day mill was constructed. Mine production commenced during 1958 with the production of 2,178,171 lbs of  $U_3O_8$  from 963,835 tons of ore averaging 2.43 lbs/ton. The mine closed in January, 1961, but last reported production for 1960. Total mine output was 1,962,652 tons of uranium ore averaging 2.4 lbs/ton from which 4,437,377 lbs of  $U_3O_8$  were recovered (93.0% recovery).

During 1966, the mine workings were dewatered and renovation of the mill was initiated. With modifications completed the following year, the mine was reopened with a mill capacity of 3,300 tons/day. The mill was further up-graded in 1970 to a design rate of 4,500 tons/day, however, the mine and mill were shut down at the end of 1971. A third expansion of the mill was undertaken during 1975 at a planned cost of C \$76 M to increase capacity to 7,000 tons/day, and completed in 1978 at an actual cost of \$68.9 M. Mine output was not reported separately during this period of time. Reports state that the mill ran at an average throughput of 6,223 tons/day during 1978 and at design capacity the following year (7,004 tons/day). The mill was used as Rio Algom's main regional facility during the 1980's processing predominantly Stanleigh Mine ore during 1990 and thereafter until the Stanleigh's closure in late 1996. A summary of mine production indicates that 44 M tons of ore were produced from the Quirke Mine.

### New Quirke Mine

Development of the New Quirke Mine commenced during 1965. Rather than constructing a new mill, Rio Algom elected to refurbish and increase the capacity at its existing Quirke Mine located only 2.4 kilometres away. Production from the new mine commenced in October, 1968. No detailed records prior to 1978 were available to WGM for the mine's production due to Rio Algom's tendency to report consolidated production data. During 1978, the mine produced 4,952,000 lbs of uranium oxide from 2,166,000 tons of ore having an average grade of 2.3 lbs/ton. The ore was processed at the original Quirke mill and uranium recovery reportedly averaged 99% during the year. The following year, production increased to 5,294,000 lbs of  $U_3O_8$  from 2,452,000 tons of ore at the same grade (94% recovery). Production was sustained at between approximately 4.5 M lbs and 5.5 M lbs until 1986.

Experiments with underground bacterial leaching were carried out during 1986 and the program was expanded the following year. No specific mention has been made concerning uranium production from this program, and it seems to have been discontinued in 1988 probably due to less than satisfactory results. The grade of the ore being leached is not reported in the general literature available. Mining operations ceased on 31 August, 1990 after nearly 22 years of continuous activity. Partial records covering about eight years of operations (1978-1986) show production of 23.3 M tons of ore from which 45.5 M lbs of  $U_3O_8$  were produced making this one of Rio Algom's great mines.

### Spanish-American Mine

A 2,000 ton/day mill was constructed at the Spanish-American Mine in 1957, but the mine closed little more than a year later in February, 1959. The total reported production was 276,000 tons of ore of an uncertain grade. In response to rising uranium prices, a preliminary study was undertaken during 1980 to assess the feasibility of reopening the mine, and resuming production at the mine remained part of Rio Algom's long term plan as late as 1988.

### Stanleigh Mine

Stanleigh was the last of the Elliot Lake Mines to close, ceasing production in June, 1996. The initial mine development occurred in 1958 and a 1,500 ton/day mill was constructed. That year, 210,561 tons of ore were produced having a low average grade of only 1.5 lbs  $U_3O_8$  per ton from which 293,166 lbs of uranium oxide were produced. Recovery averaged 93%. Mill capacity was doubled in 1959 and the mining of higher grading ores (2.1 lbs/ton) led to production of nearly 1.7 M lbs of  $U_3O_8$ . Production was suspended on 30 November, 1960 due to the low grades and was not resumed until mid-1983. During the intervening period, 15,300 m (50,200 ft) of mostly successful deep diamond drilling was completed in 1967, but despite this, most of the plant and mine equipment was sold during 1969.

In 1975, mineral economics studies were undertaken to re-examine the possibility of reopening the mine under stronger uranium market conditions. A housing project was started in 1979 and refurbishment of the mill commenced with a goal of resuming production in mid-1983. Rio Algom met its target and the mine reopened that year, with the mill's design capacity (4,250 tons/day) being achieved in March-April, 1984. Production figures are available for the period 1988 through 1996. Ore grade varied between 1.6 and 2.0 lbs  $U_3O_8$  per ton during that period. Mine throughput was initially 3.5 M tons per year, however, after 1989 it rapidly declined to approximately 900,000 tons/year (+/-250,000). The production of uranium oxide declined from 6,100,000 lbs in 1988 to 1,400,000 in 1991 before returning to a level of approximately 1,800,000 during the period 1992 through 1995. The mine produced 1,055,000 lbs of  $U_3O_8$  from ores estimated to grade approximately 1.6 lbs/ton during 1996 in the nine months leading up to the mine's closure. The mine is thought to have produced between 14.0 and 15.7 M tons of ore.

## ***Property History***

### **General Overview**

As mentioned in the foregoing, the closure of the Elliot Lake Mines was triggered by a collapse in uranium prices due to a tremendous over-supply of uranium on the world market far exceeding any demands from the military or from energy utilities. The inventory of uranium in various forms had been building for more than 20 years, and the fall in prices came as no great surprise to those working in the industry at the time. Mining in the Elliot Lake camp continued despite the new economic conditions due largely to long-term supply contracts that Rio Algom and Denison had negotiated with Ontario Hydro and a few other energy utilities. As these contracts were satisfied or, in the case of Ontario Hydro, cancelled through a buy-out negotiation, the mines were faced with the reality of substantially lower revenue and ever escalating costs. As a result, the mines closed leaving considerable lower grading uranium resources in the ground. A related aspect of the closure was the loss of jobs and expertise in the uranium sector that even today cannot be easily replaced.

At the time of closure, it was simply assumed that Elliot Lake would never again produce uranium, nor would the region be of interest for uranium due to the higher grades found in the Athabasca Basin, Saskatchewan. All mining infrastructure was removed and the sites underwent a program of restoration that continues today. Little thought was given to the substantial undeveloped resources remaining at Elliot Lake as well as resources remaining in mine pillars.

With the run-up in prices seen during 2006 and 2007 when they were poised to exceed the inflation-adjusted record uranium market prices established during the period 1977-1979, the Elliot Lake area enjoyed a renaissance. The exploration drilling by Pele Mountain Resources (“PMR”) that defined new Mineral Resources in Pecors Township is proof of both renewed interest and the potential for success. The mineralization on PMR property was known previously from considerable exploration work that outlined the uranium-bearing zone several decades ago, a fact that is not apparent to those acquiring the information from the PMR website. This deposit is situated approximately 10 km south of the Property. PMR have announced a NI 43-101 compliant Inferred Mineral Resource of 30.05 million tonnes grading 0.05% U<sub>3</sub>O<sub>8</sub> (1.0 lbs U<sub>3</sub>O<sub>8</sub> per short ton) having a minimum thickness of 2.44 m (no average thickness given) and using a cut-off of 0.03% U<sub>3</sub>O<sub>8</sub>. The company has also stated that it believes that additional (conceptual) potential exists for 25 to 30 million tonnes of mineralization at grades of 0.04% to 0.05% U<sub>3</sub>O<sub>8</sub>.

Known uranium mineralization occurs in five main areas of the Property based on drill hole evidence, summarized as follows:

Teasdale Zone	located in Buckles Township approximately 1 km east of the former Can-Met Mine and situated obliquely on strike (and down dip) about 4 km southeast of the Panel Mine.
Gemico Block 3	located on boundary between Buckles and Joubin Townships and situated obliquely down-plunge from the Stanrock Mine
Gemico Block 10	located in southeastern Bouck Township and down-dip of the Spanish American Mine
Banana Lake Zone	located in Beange Township and western Bouck Township, and situated in the centre of the Quirke Lake Syncline.
The Canuc Zones	located in west-central Bouck Township, and situated southwest of the Spanish American Mine in an area not intensively drilled.

#### Teasdale Zone

The area near Teasdale Lake has been drilled during many periods, but the major drilling programs were completed during the mid-1950s as follows:



1954-1955	Conecho Mines Ltd.	19 diamond drill holes – 9 holes not filed with Mining Recorder.
1954-1956	San Antonio Gold Mines Ltd.	6 diamond drill holes totalling 4,496.5 m (14,753 feet).
1954-1957	Roche Long Lac Gold Mines Ltd	5 diamond drill holes totalling 3,246.9 m (10,653 feet).

The foregoing holes were targeted on the southeasterly extension of the main uranium-bearing zone on the north limb of the Quirke Lake Syncline. The area of drilling was centred only three kilometres ESE of the Can-Met Mine and four kilometres east of the Stanrock Mine.

The Conecho Mines Ltd. (“**Conecho**”) drilling program was evidently designed to test along strike of the Panel Mine in an area where the uranium-bearing Matinenda Formation occurs at a relatively shallow depth. All of the holes were drilled vertically. Four of the holes reviewed by WGM produced interesting intersections:

C-4	48.8 – 52.1 m (160.0-171.0 ft)	3.3 m (11 feet)	0.4 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.020% U <sub>3</sub> O <sub>8</sub> )
C-6	59.0 – 59.4 (193.6-194.9)	0.4 m (1.3)	0.68 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.034% U <sub>3</sub> O <sub>8</sub> )
C-10	241.5- 244.4 (792.3-801.7)	2.9 m (9.4)	0.2 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.010% U <sub>3</sub> O <sub>8</sub> )
C-13	312.7-322.6 (1026.0-1058.4)	9.9 m (32.4)	0.54 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.027% U <sub>3</sub> O <sub>8</sub> )

WGM was not able to obtain logs for all of the Conecho drill holes because records for many holes (C9, C10, C12, C14 through C19) do not appear in the MNM assessment files. Nevertheless, the records for the other holes show that the overlying sequence above the top of the Matinenda ranges in thickness from zero to 234 m (768 feet), with only three holes having more than 37 m (122 feet) of overlying material.

An undated independent report written by the late Mr. Doug Sprague, P.Eng., formerly Chief Geologist of Rio Algom Ltd., for Artisan Gold Inc. from which CEC acquired the claims, reports that the first 11 holes failed to intersect commercially interesting uranium mineralization. This seems to reflect the fact that the intersections in holes C-4, C-6 and C-10 (reported above) are generally thin and/or low grade. In addition to what is in the assessment files, the following Conecho intersections have been reported:

C-12	<i>interval not available</i>	1.5 m (5 feet)	1.23 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.062% U <sub>3</sub> O <sub>8</sub> )
C-14	<i>as above</i>	1.5 m (5 feet)	1.12 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.056% U <sub>3</sub> O <sub>8</sub> )
C-15	<i>as above</i>	1.5 m (5 feet)	1.38 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.069% U <sub>3</sub> O <sub>8</sub> )
C-16	<i>as above</i>	1.5 m (5 feet)	1.00 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.050% U <sub>3</sub> O <sub>8</sub> )
C-17	<i>as above</i>	1.5 m (5 feet)	1.07 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.054% U <sub>3</sub> O <sub>8</sub> )
C-18	<i>as above</i>	1.5 m (5 feet)	0.98 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.049% U <sub>3</sub> O <sub>8</sub> )
C-19	<i>as above</i>	1.5 m (5 feet)	1.42 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.071% U <sub>3</sub> O <sub>8</sub> )

The foregoing Conecho drill holes C-12 through C-19 were evidently completed sometime in late 1955 or in 1956. As the host rocks are not steeply dipping in this area, the intersection length in all of the Conecho holes is very close to the true thickness of the mineralized zone, and it very closely matches the actual mining height

for room and pillar mining. A compilation map produced by independent mining engineer Robert MacGregor of Sault Ste Marie, and supplied to WGM shows that C-14 and C-15 intersected, respectively, 1.2 lbs U<sub>3</sub>O<sub>8</sub>/ton over 4.0 feet (1.2 m) and 1.8 lbs U<sub>3</sub>O<sub>8</sub>/ton over 3.9 feet (1.1 m), effectively confirming the numbers previously reported.

The San Antonio Gold Mines Ltd. (“SAGM”) drilling program consisted of a single fence of six vertical holes along a north-south section located south of Teasdale Lake, and immediately east of the Property. In moving towards the south, the holes progressively encountered an ever thickening assemblage of strata overlying the basal Matinenda conglomerates. Holes SA-1 and SA-6 are sufficiently close to the Property to be of interest. Unfortunately, no assays were filed with the San Antonio drill logs. Sprague reported that none of the holes intersected values of interest. It is clear that holes SA-4 and SA-5 were not drilled deep enough to reach the Matinenda Formation. The third hole was drilled into what may be a basement high which stands above the elevation of the Matinenda Formation. The geological information from hole SA-2 is not present in the MNM file below 3,322 feet (1,012.5 m), and with a total length of 4,215 feet (1,285 m) it is clear that the hole crossed the prospective Matinenda horizons to basement. Strong radioactivity was reported from a pitchblende vein in hole SA-1 at 2022.5 ft (616.5 m), but no assay is reported. The drill core from hole SA-6 between 2,945 and 3,010 feet (897.6-917.4 m), located immediately above the greenstone basement, was removed before the core was logged and no description is available in the public records. This is very unusual and leads immediately to the speculation that the core was well mineralized, because the hole is clearly on the trend of mineralization from the Panel Mine.

The Roche Long Lac Gold Mines (“Roche”) holes were completed on the islands and near the main shoreline of Quirke Lake, approximately 4 km from the Panel Mine and as little as 1.5 km from the Can-Met shaft. Of the seven holes drilled, the MNM records contain the logs and assays for five. Of these, three holes reported intersections ranging between 2 m and 9.5 m grading between 1.1 and 1.8 lbs U<sub>3</sub>O<sub>8</sub> per ton as follows:

R-1	556.4 – 557.0 m	0.6 m	1.1 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.055% U <sub>3</sub> O <sub>8</sub> )
	(1825.3 – 1827.3 ft)	(2.0 feet)		
	560.3 – 561.7 m	1.4 m	1.14 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.057% U <sub>3</sub> O <sub>8</sub> )
	(1838.4 – 1842.9 ft)	(4.5 feet)		
R-3	626.9 – 628.4	1.5 m	1.8 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.90% U <sub>3</sub> O <sub>8</sub> )
	(2056.8 – 2061.8 ft)	(5.0)		
R-5	576.7 – 579.6	2.9 m	1.5 lbs U <sub>3</sub> O <sub>8</sub> /ton	(0.075% U <sub>3</sub> O <sub>8</sub> )
	(1892.0 – 1901.5 ft)	(9.5)		

Hole number R-4 showed anomalous radioactivity in the interval 611.1-614.8 m (2,005-2,017 ft) but only very low uranium values of 0.01-0.02% U<sub>3</sub>O<sub>8</sub> (0.2-0.4 lbs/ton) were reported. Similarly, Roche drill hole R-2 showed anomalous radioactivity at 733.0-742.5 m (2,405-2,436 ft) in the hole, but the samples did not show significant uranium assays.

### Gemico Block #3

Gemico Block #3 was defined by Rio Algom Ltd. within the boundaries of a group of claims that it acquired from Gemico during the late 1970s.

This area includes a down-dip location of the uranium-bearing conglomerates. Within this area, Rio Algom had estimated that “potential” resource apparently based on a single drill hole, KM-144-1, put down by Kerr McGee near the northwestern boundary of the claims. According to the original drill log that WGM obtained from the MNM assessment files, the mineralized zone contains a higher grading interval at 1,118.0-1,121.4 m (3,668-3679 ft) averaging 0.46 lbs U<sub>3</sub>O<sub>8</sub> per ton over a thickness of 3.4 m (11 ft). The volume of the mineralized zone is confined to the Gemico claims and is truncated by the inferred margin of the mineralized zone. It is clear that uranium mineralization extends to the east, north and west of the Gemico claims. The truncation of the mineralization to the south is not justified as two holes, Nasco #2 and Nasco #3 intersected mineralization of interest approximately 500-800 m south of the Gemico claims. Nasco #2 intersected 0.8 lbs U<sub>3</sub>O<sub>8</sub> per ton over a thickness of 1.5 m (5 ft), the grade being an average of the initial intersection (0.76 lbs U<sub>3</sub>O<sub>8</sub>/ton over 1.5 m) and a second

wedged cut (0.84 lbs U<sub>3</sub>O<sub>8</sub>/ton over 1.5 m). Nasco #3 intersected 0.5 lbs U<sub>3</sub>O<sub>8</sub> per ton over a thickness of 4.5 m (14.9 ft).

#### Gemico Block #10

Rio Algom estimated that the uranium-bearing conglomerates underlying the Gemico #10 block contained a potential resource based on Kerr McGee drill hole KM-150-1 (1.6 lbs U<sub>3</sub>O<sub>8</sub> per ton over 1.5 m [5 ft]), drilled in the northwestern area of the zone, as well as two drill hole intersections on the Denison block completed by Denison Mines Ltd and Uranex Mitsui:

DU-76-2            0.62 lbs U<sub>3</sub>O<sub>8</sub> per ton over 2.1 m (6.9 ft).

DU-76-3            0.65 lbs U<sub>3</sub>O<sub>8</sub> per ton over 3.8 m (12.4 ft).

Like the Gemico #3, the mineral potential of the #10 block is constrained by the geographical boundaries of the claims available to Rio Algom. It is significant that a large block of ground to the north, previously owned by Denison Mines Ltd., is located immediately down-dip of the Stanrock and Spanish American Mines. This block is now part of the claim group held by Appia. The mineral resource estimated for the #10 block was further constrained by the limits of the zone thought to be of ore grade at the time of the estimate. The western margin of this mineralized zone is delimited by the Ramsey Lake Scour, within which the middle Mississagi boulder conglomerate was deposited in a channel eroded downwards through the uranium-bearing Matinenda quartz-pebble conglomerates.

The intersection in Kerr McGee drill hole 150-1 has been previously confirmed but earlier work also refers to an intersection in hole DU-76-2 of 0.40 lbs U<sub>3</sub>O<sub>8</sub> per ton over 46.1 feet (14.1 m). This clearly exceeds the intersection reported from other sources, although the two are not mutually exclusive. The sample data were not available to WGM however it has been rightly asserted that this represents the entire Denison main zone reefs of the Quirke Ore Zone. The narrower intersection of 0.62 lbs U<sub>3</sub>O<sub>8</sub> per ton over 2.1 m (6.9 ft) is the lower reef only.

WGM successfully located the intact casing for hole KM-150-1 in the field and surveyed its location by GPS. WGM's review of the Kerr McGee hole from the original log taken from MNDM assessment files shows that the zone in hole 150-1 can be widened somewhat to take in the lower grading shoulders and thereby give a mineralized width of 2.6 m (8.5 ft) grading 1.1 lbs U<sub>3</sub>O<sub>8</sub> per ton.

Hole DU-76-1, collared near Quirke Lake, immediately down dip of the Stanrock Mine, and less than one kilometre east of the Gemico block also produced an interesting intersection of 0.72 lbs U<sub>3</sub>O<sub>8</sub> per ton over 4.7 m (15.4 ft).

#### Banana Lake Zone

The area west, north and east of Banana Lake was included in the Gemico #2 claim block. This area has been well tested by deep diamond drill holes, most of which were completed by Kerr McGee Corp. The area north of Banana Lake was also drilled much earlier during 1955-56 by Buffalo Uranium, however the four holes completed totalled only 1,227.1 m (4,026 ft), none being greater than 343.5 m (1,127 ft) in length, and none was sufficiently deep to reach the uranium-bearing Matinenda Formation.

Based on the drilling completed, Rio Algom estimated the "potential" uranium resources for that part of the uranium-bearing Matinenda located below the Gemico #2 claim block. As with above-mentioned estimates for the Gemico #3 and #10 blocks, the estimate for this area is constrained by the geological limits of the mineralized trend which may extend from the Stanleigh Mine to the southeast. It is also constrained by the physical limits of the claim blocks available to Rio Algom. For example, the uranium-bearing conglomerates clearly extend to the east onto a large claim block formerly controlled by Denison, however this resource area was not included in the Rio Algom estimate. According to MacEachern, Denison did not complete its own forward-looking estimate of the uranium resources on its own claims. The Rio Algom mineral resource estimate is also constrained by drill holes that returned trace values for uranium or failed to intersect the Matinenda conglomerates at the anticipated depths, for example in drill holes KM-149-2, KM-156-4 and KM-150-4.

Rio Algom estimated that the Gemico #2 block claims contained a potential uranium resource based on a collection of the company's widely spaced drill holes which are summarized as follows:

KM-156-5	0.65 lbs U <sub>3</sub> O <sub>8</sub> per ton over 10.4 m (34 ft)
KM-150-5	0.88 lbs U <sub>3</sub> O <sub>8</sub> per ton over 13.4 m (44 ft)
KM-150-2	0.68 lbs U <sub>3</sub> O <sub>8</sub> per ton over 3.4 m (11 ft)

WGM successfully located the collar and casing for the KM-150-2 drill hole, and surveyed its position by GPS to within an estimated position error of less than 3 m. As this was purely a test of WGM's ability to locate a hole using the historical records as a guide, WGM did not attempt to locate the other holes (*subsequently located by Appia*).

The foregoing "potential" resource is confined not only by Gemico claim boundaries, but also by drill holes completed by Kerr McGee to the south (149-2 and 156-4) and to the north (150-4) which failed to intersect the Matinenda conglomerates. In Beange Twp., a few kilometres to the northwest, hole 156-1 intersected 1.76 lbs U<sub>3</sub>O<sub>8</sub> per ton over 0.6 m (2 ft) in an area which is excluded from the foregoing resource. This hole suggests additional potential to the west although the economically interesting uranium grades are present in a thin horizon that would not be minable unless greater thicknesses were discovered nearby.

## **Geological Setting**

### ***Regional Geology***

The Elliot Lake area is located on the southern margin of the Archean component of the Superior Province of the Canadian Shield. As is typical across North America, the margin is marked by a series of structural basins and troughs which contain late Archean to early Proterozoic sedimentary rocks. These rock formations are important in that they host significant iron formation deposits as well as most of the known occurrences of uraniumiferous quartz-pebble conglomerate. Although the deposits are diverse, and differ in age by as much as several hundred million years, they share many sedimentary and structural characteristics. The sedimentary sequences laid down on the shield margins record several transgressive cycles each resulting in deposition of fluvial-to-marine or glacial-to-marine conglomerates and sandstones, followed by shallow-marine clastic or carbonate rocks. Generally the final cycle of sedimentation ends with deep-water-marine dark shales, greywacke and volcanic rocks. Episodes of extension, compression, intrusive magmatism and metamorphism occurred during the same approximate period of time.

The structural basins or troughs that contain uranium-bearing conglomerate formed within or on the Archean continental crust, and apparently near its margin, however the southern limit of the Archean has not been precisely located because Paleozoic, and younger sedimentary rocks cover most of the area south of the early Proterozoic basins.

The Lake Huron region, within which Elliot Lake is located, contains the early Proterozoic Huronian Supergroup, of which the basal deposits in the Elliot Lake district contain the world's most important deposits of uranium in Precambrian conglomerate.

The Huronian Supergroup is a southward-thickening, mainly clastic succession which is well exposed north of Lake Huron. It forms an east-west trending belt overlying the southern portion of the Superior Province of the Canadian Shield. The rock succession is divisible into three megacycles, each composed of coarse-grained fluvial sandstones overlain by glacio-marine/lacustrine mixtures and marine/lacustrine siltstone plus shale with a capping deltaic succession which is overlain by coarse sediments laid down during the next transgressive cycle. Prograding deltas and abandoned channels combined with non-synchronous southeast to northwest flooding to add a large diachronous element to lithofacies boundaries.

Each megacycle can be sub-divided into a three-part succession beginning with the development of a glacial outwash plain, followed by isostatic depression and flooding as the ice sheet advanced into the area and then an interval of glacio-marine deposition with development of a fine-grained marine/lacustrine succession as glacial melting raised the water level, and finally delta progradation as isostatic rebound began to outstrip the rising water.

The ore-bearing conglomerate beds in the district are found in the Matinenda Formation, the basal unit of the Elliot Lake Group within the Huronian Supergroup. The uranium-bearing conglomerate is a clean, well sorted, coarse-pebble conglomerate which was apparently deposited in a mixed littoral and fluvial-deltaic fan environment, possibly as the early Proterozoic sea transgressed up onto the Archean craton. The conglomerate is overlain by and interfingers in a time-transgressive relationship with the shallow-marine McKim Formation.

The Elliot Lake Group is successively overlain by the Hough Lake, the Quirke Lake, and the Cobalt Groups, each of which begins with basal paraconglomerates which show evidence of being deposited in a glacial or glacio-marine environment. Each of the paraconglomeratic formations is succeeded by shallow-marine clastic or carbonate rocks. The entire succession, as well as most individual formations, thickens to the southeast and feathers out onto the Archean craton to the north.

Pyrite is the main iron mineral found in the Matinenda Formation, whereas superseding formations contain predominantly hematite. The Th-U ratio in radioactive placer deposits first increases to greater than ten in the Lorrain Formation. This is thought to present strong evidence that during the early Proterozoic deposition of the Huronian Supergroup, a profound change in the Earth's atmosphere resulted in a transition from non-oxidizing to oxidizing conditions. Neither the uranium in the quartz-pebble conglomerates nor the iron formation deposits found elsewhere on the edge of the Archean craton would have been stable had the earth's atmosphere not been anoxic at the time of deposition.

This prevailing view concerning the atmosphere is clouded somewhat by some who argue that episodic post-depositional modification of the uraniferous conglomerates leached iron from detrital ilmeno-magnetite grains, caused some uraninite to be replaced by coffinite ( $[U,Th]SiO_4$ ) and resulted in the dissolution and alteration of monazite to uranothorite ( $[Th,U]SiO_4$ ). Brannerite was also a product of the reaction of U and  $TiO_2$ . Further alteration resulted in the precipitation of secondary pyrite under conditions of low to moderate Eh and slightly acid pH for ilmeno-magnetite leaching, and low Eh and near-neutral pH for pyrite precipitation. Under such conditions uraninite and coffinite are relatively stable. The Authors conclude that the simple presence and preservation of detrital uraninite cannot be used to draw conclusions about the oxygen content of the late Archean atmosphere at approximately 2,350 Ma.

Mafic volcanic rocks underlying or interbedded with the lowest beds of the Matinenda are most abundant in the vicinity of two east-trending fault zones (the Murray and Flack faults), which also mark zones of abrupt change in style of sedimentation and the thickness of stratigraphic units. These basin-bounding faults apparently acted as hinge lines that were zones of crustal bending, faulting, and minor volcanism during deposition of the Huronian strata.

The Huronian Supergroup lies unconformably upon Algoman granitic rocks which have been dated at about 2,500 Ma. They are intruded by a series of post-Huronian rocks, the oldest of which is the Nipissing Diabase, dated at about 2,100 Ma.

### ***Geology of the Elliot Lake Area***

The Elliot Lake area is underlain by an approximately east-west trending basin within which the Huronian sedimentary strata on-lap the Archean basement to the north, and presumably also to the south. Uranium mineralization occurs in the predominantly quartzose and arkosic rocks of the Matinenda Formation, located near the base of the Huronian sequence and unconformably overlying the Archean basement.

The Huronian succession is folded into an east-west trending syncline, the Quirke Lake Syncline, which is located immediately north of the city of Elliot Lake. Uranium-bearing Matinenda Formation strata are exposed on the limbs of the fold, but occur at vertical depths of +/- 1,500 m (5,000 ft) near the centre axis of the basin. Uranium mines are located on both limbs and the Quirke Lake structure has been well tested and explored by underground mine

developments as well as deep exploration drilling. The Can-Met, Denison, Panel, Quirke, New Quirke, Stanrock and Spanish American mines are located on the north limb whereas the Buckles, Milliken, Lacnor, Nordic and Stanleigh mines are situated on the south limb.

During the mid-1980s, more than half of Canada's reasonably assured uranium resources, though expensive to develop and mine, were contained in the Quirke Lake Syncline despite the addition of high-grade deposits found in the Athabasca Basin of northern Saskatchewan.

The Matinenda Formation is the coarse-grained sandstone unit at the base of the stratigraphically lowest megacycle. To the north, it on-laps over an irregular Archean basement surface, filling paleo-valleys and draping over intervening hills. Uranium-bearing quartz-pebble conglomerates occur within the sandstones in the lower part of the Matinenda Formation, forming laterally extensive deposits with NW-trending long axes. In a general sense, the NW end of the conglomerates either abuts against basement or is cut off by an erosive scour at the base of the overlying Ramsay Lake Formation. The conglomerates die out to the southeast by an increase in the proportion of interbedded sandstone wedges and a general reduction in grain size.

The uranium-bearing portion of the Matinenda Formation is divided into three members. From uppermost downwards, these are the Manfred Member, the Stinson Member and the Ryan Member. The presence and thickness of these members and their uranium-bearing zones is dependent on the relative elevation of the Archean unconformity and the topography of its surface.

Two principal ore zones are present: the Quirke Ore Zone on the north limb of the basin (the Quirke Lake Syncline), and the Nordic Ore Zone on the south limb. The Quirke Ore Zone occurs in the Manfred Member of the Matinenda Formation. The Nordic Ore Zone occurs in the Ryan Member. It is important to note that there is no Ryan Member on the north limb and the Manfred Member is absent on the south limb.

The Stinson Member of the Matinenda Formation lacks uranium in economically interesting concentrations. The base of the Stinson in some areas of the Nordic Ore Zone is marked by angular, grey granite-clast conglomerate (as compared to quartz pebble clasts in the ore reefs), usually with a matrix of mostly smaller grey granitic material and some, mostly minor, pyrite. This horizon, is usually 2.0-5.5 m thick and is called the Stinson basal conglomerate - it can be very useful as a marker or reference horizon to indicate the top of the Nordic Ore Zone reef hosting Ryan Member.

On balance of evidence, a fluvial placer mode of origin is accepted as the most reasonable genetic model for the uranium deposits hosted in the Matinenda Formation. The model is consistent with that for the proposed origin of the gold-uranium paleoplacers in South Africa, but unlike the Witwatersrand, however, the uranium-bearing section at Elliot Lake does not contain intraformational unconformities. The deposits occur as laterally extensive sheets that do not show the evidence of reworking that is apparent in South Africa. Rather, at Elliot Lake the occurrence of large-scale flood events has been proposed as a means of widely depositing detrital uranium. The documented presence of glacially derived mixtites associated with Matinenda sediments leads to speculation that catastrophic ice-margin lake drainage flowing down an outwash fan deposited the uraniferous conglomeratic units present in the lower Matinenda Formation.

The Quirke Ore Zone is a classic sedimentary delta type of deposit. Quartzose and conglomeratic sediments bearing detrital uranium were introduced through a narrow 1,800 m (6,000 ft.) wide valley in the basement and spread out to the east and southeast to cover an area of approximately 80 square kilometres (30 sq. miles). There is very little Stinson Member and no Ryan Member between the Manfred Member and the basement in the Quirke Ore Zone. Where the Manfred Member is thickest, there are two pairs of reefs separated by 36 m (120 feet) of quartzite. The past producing mines of the Quirke Ore Zone were: Denison, Stanrock, CanMet, Quirke (1), New Quirke (2), Panel and Spanish American.

Outside of the mined areas at its southeast end, much of the Nordic Ore Zone is not well defined by surface diamond drilling. It has been thought to begin approximately 6.5 kilometres (4 miles) northwest of Banana Lake as a 1.5 - 2.5 km (1 - 1.5 mile) wide basement depression channel with relatively steep basement. It extends for approximately 11 km (7 miles) south and southeast of Banana Lake, widening to approximately 13 km (8 miles). There may be some Stinson Member but no Manfred Member overlying the Ryan Member in the Nordic Ore Zone. Where the Ryan

Member is thickest there are three reefs in the Nordic Ore Zone. In descending order these are the Pardee, the Nordic and the Lacnor Reefs. The past producing mines of the Nordic Ore Zone were: Stanleigh, Milliken, Lacnor, Nordic and Buckles. Most of the uranium produced was from mining in the Nordic and Lacnor Reefs. Where there is sufficient thickness of the Ryan Member above the Pardee Reef, thin conglomerate or pebble beds called "Floater Reefs" may be present, but to date these occurrences are very thin and do not appear to be economic.

Below the Lacnor Reef, Appia holes BL-07-01, BL-08-02 and BL-08-03 have intersected reefs composed of rounded 8-15cm (3-6 inch) white quartz cobbles (Cobble Reef or Cobble Quartzite), with pale olive green irregular-shaped siltstone clasts and a few black chert clasts. Uranium grades in these rocks appear to be related to the amount of pyrite in the individual beds.

Another zone called the Pardee Zone is located approximately 4.5 km (3 miles) east of the Nordic Mine, east of the southeast corner of the Nordic Ore Zone. The Pardee Zone is approximately 2.5 square kilometres (1 square mile) in size and is separated from the Nordic Ore Zone by a high basement ridge. Pele Mountain Resources has been working on the Pardee Zone since early 2007 and has completed 188 surface diamond drill holes. The company has most recently referred to its deposit as the Eco Ridge Deposit.

The uranium-bearing conglomerates are massively bedded, but do show localized evidence of horizontal stratification. Trough cross-stratification due to meandering deltaic channel development is present in the pebble conglomerates in areas where numerous sandstone lenses occur. Occasionally the cross-sets can be traced from the conglomerate into sandstone lenses. Sandstones interlayered with the conglomerate and forming units separating conglomerate packages are generally trough cross-stratified with cross-set amplitude averaging approximately 12 cm.

Detrital uraninite and brannerite is concentrated in the more massive portions of the longitudinal bars as well as in lags along horizontal reactivation surfaces in stacked bars. The bars themselves represent rare, discrete high energy events in a succession that is dominated by braid-channel deposits (trough cross-stratified sandstones). The gravel bars are localized in the lower portion of the formation, usually being confined to paleovalleys.

The water-borne transport of uranium detritus was from north to south during deposition of the lower portions of the Matinenda. As time passed the regional paleoflow direction gradually changed to NW to SE and eventually to WNW to ESE. The counter-clockwise rotation in paleocurrent direction is thought to reflect crustal subsidence to the east of the area in which the Matinenda Formation was studied.

One interesting aspect of the Matinenda Formation is the presence of pyrobitumen in and near ore-bearing horizons. The occurrence of stratiform and dispersed kerogens in the Matinenda Formation has been reported with the conclusion that the kerogens formed from mats of cyanobacteria that were affected by diagenetic and low-grade metamorphic processes including partial remobilization.

During burial and metamorphism, rising temperatures cracked the kerogens to form petroleum, which migrated into fractures and subsequently became pyrobitumen through a combination of water-washing and thermal cracking which converted the oil into a more tarry form. As this tarry material detached from the wall, it formed spheroids that floated upward and were trapped in vuggy openings in the fractures. It is clear to WGM that the presence of kerogens might have contributed to the stabilization of uranium minerals under strongly reducing conditions in the mineralized beds.

Economically interesting uranium mineralization is not pervasive throughout the basin. The favourable horizon is affected by the topography on which the conglomerates were deposited, as well as scours (river channels) which eroded down through the conglomerates following their initial deposition. As is also clear, large areas in the deep basin such as that near Banana Lake, have been shown to contain uranium values exceeding 0.5 lbs per ton. Yttrium-REE minerals have long been known to co-exist with uranium.

## Deposit Types

### *General Classification*

The Elliot Lake (and Agnew Lake) deposits are known as paleoplacers and classified by the Geological Survey of Canada as sub-type 1.1.1. Uraniferous conglomerates occur in many parts of the world, and are similar to those of other metal commodities, notably gold, platinum group metals, tin, tungsten, rare earth minerals, titanium, zirconium and chromium. The economic minerals are typically deposited in conglomerates at the base of a sedimentary cycle which may, over time, see a gradual transition to lower energy deposition. Although similarities exist between these deposits through the geological timescale, the younger deposits tend to be hematite-rich (subtype 1.1.2) whereas late Archean and early Proterozoic deposits tend to be associated with pyrite. This difference is one factor of many that indicate that the early Earth's atmosphere was anoxic and transitioned to an oxygenated atmosphere somewhat later.

The paleo-placer deposits are stratabound, commonly occurring in stacked sheet-like bodies of conglomerate. Mineralization is entirely disseminated and the highest grades are associated with quartz-pebble conglomerates. The pebbles are generally well rounded, and some association between pebble size and uranium grade is noted. Placer deposits are created wherever rapidly flowing water allows heavy mineral particles to settle out while less dense mineral particles and rock fragments are transported through the depositional site. The term paleoplacer is generally reserved for only such mineral concentrations as constitute economically interesting deposits in lithified strata. The erosion of the parent rock and transport of detrital material results in degradation of all but the hardest minerals.

The simple mineralogy of the Elliot Lake ores has been well documented. This simplicity has been used to great advantage in the beneficiation of uranium using both conventional solvent extraction processes as well as in using heap leach and bio-leach technologies.

## Mineralization

### *Ore Mineralogy*

The ore mineralogy consists primarily of detrital grains of brannerite and uraninite, together with minor uranothorite, monazite and secondary coffinite associated with pyrite, pyrrhotite, zircon, rutile and Ti-magnetite as interstitial fill in a quartz pebble conglomerate. The pyrite content is typically 10-15% of the rock. As the pebbles are quite competent, only rarely does pyrite occur as fracture fillings.

The main ore mineral is brannerite which occurs as ovoid, reddish-brown grains associated with bladed rutile surrounded by uranium oxides and rare earth oxides. Brannerite generally contains small inclusions of pyrrhotite and radiogenic galena. The second most important ore mineral is uraninite which occurs as black subhedral grains up to 0.1 mm in size. Regionally, the uraninite contains approximately 6% ThO<sub>2</sub> by substitution. This has been noted as an indication that the uraninite originated from a granitic or pegmatitic (magmatic) protolith rather than being of hydrothermal origin. The relative importance of brannerite or uraninite varies from mine to mine. Uraninite is the most important ore mineral in the Nordic Mine and in the C-Reef at the Quirke Mine. Monazite is a lesser ore mineral, however it is important at Elliot Lake as it contains an unusually high uranium content. Monazite occurs as rounded to subangular grains typically less than 0.3 mm in diameter. When the grains are grey in colour, they are strongly radioactive as a result of elevated uranothorite or thorite contents (inclusions). Pyrite is also an inclusion forming phase in monazite. Uranothorite and coffinite have been identified as minor mineral phases in the deposits.

The mines of Elliot Lake are the only deposits in Canada which have seen REE production. During the 1970s and 1980s, yttrium was a major by-product of uranium mining at both the Denison and the Rio Algom operations. The Canadian Minerals yearbook documents production. Although significant concentrations of rare earth metals were recognized, exceeding even that of yttrium, global prices for such metals at the time did not favour a commercial operation. The Technical Report represents an up-date of the previous WGM work to take into account the considerable unrealized value of rare earth metal mineralization present in the Elliot Lake deposits. To the best of WGM's knowledge, no historical resource estimates have ever been made for these metals which have become vital to many current technologies. According to the Canadian Minerals Yearbook for 1980, the yttrium concentrates from the Denison Mine averaged 60% total REEs of which the relative contents were 0.8% La<sub>2</sub>O<sub>3</sub>, 3.7% CeO<sub>2</sub>, 1.0%



Pr<sub>6</sub>O<sub>11</sub>, 4.1% Nd<sub>2</sub>O<sub>3</sub>, 4.5% Sm<sub>2</sub>O<sub>3</sub>, 0.2% Eu<sub>2</sub>O<sub>3</sub>, 8.5% Gd<sub>2</sub>O<sub>3</sub>, 1.2% Tb<sub>4</sub>O<sub>7</sub>, 11.2% Dy<sub>2</sub>O<sub>3</sub>, 2.6% Ho<sub>2</sub>O<sub>3</sub>, 5.5% Er<sub>2</sub>O<sub>3</sub>, 0.9% Tm<sub>2</sub>O<sub>3</sub>, 4.0% Yb<sub>2</sub>O<sub>3</sub>, 0.4% Lu<sub>2</sub>O<sub>3</sub>, and 51.4% Y<sub>2</sub>O<sub>3</sub>.

Rare earth and yttrium mineralization occurs as coatings on uraninite and brannerite grains and as inclusions within uraninite. Brannerite is typically found as ovoid red-brown to black grains in the metamict state, showing bladed rutile surrounded by a uranium oxide and rare-earth oxides. The previous mines operated by Stanrock and Dension capitalized on the association by first removing uranium from the pregnant solution, and then precipitating a REE-yttrium sludge that was further leached and reprecipitated to make a mischmetal<sup>1</sup> concentrate. Analytical data shows that REEs in the Elliot Lake ores are primarily represented by Ce, La and Nd.

In contrast to the Elliot Lake mining area, where the deposits were relatively rich in pyrite, brannerite and other uranium minerals such as uraninite and coffinite-uranothorite (after uraninite), the Agnew Lake mining area (*approximately 60 km to the east of the Property*) is distinguished by significantly higher thorium contents, a general lack of uraninite, lower brannerite contents and the prevalence of monazite. These ores also carried variable but relatively minor amounts of base metal sulphides (chalcopyrite, sphalerite, galena) as well as lesser amounts of stibnite, pyrrhotite, arsenopyrite, skutterudite, cubanite, linnaeite, cobaltite, niccolite, pentlandite and related minerals. REE contents were reported to be higher than at Elliot Lake, yet no such production was made from these ores. Researchers attribute differences in mineralization to variances in source areas between the two mining districts. The source area for the mineralization at Agnew Lake is thought to be to the northwest, comprising a sequence of granitic rocks that were particularly enriched in thorium.

The non-metallic gangue minerals in the matrix of the conglomerate are represented by quartz, feldspar and sericite. In some mines a dark grey to black hued ore is reported to contain fine grained chlorite and some of this rock was especially high grade.

Thucholite, an organo-uranly compound (U-bearing radioactive bitumen), occurs as thin laminae and as a void-filling mineral phase within ore zones at Elliot Lake. The potential for buried organic (hydrocarbon) material to adsorb uranium is well documented. The mineral is post-depositional in origin as it coats and invades grains of uraninite. Its origin is uncertain; a biogenic origin has been proposed, but an alternative concept is that it formed by radiation-induced polymerization of mobile hydrocarbons in pore spaces. Interestingly, this mineral is also found in the uranium deposits of the Witwatersrand, South Africa.

The ores are very well indurated, and some evidence from the mining history suggests that the degree of cementation increases down dip, deeper into the Quirke Lake Syncline. As a result, the ores are highly abrasive when milled and fines tend to act as sand-paper on internal mill surfaces. One added consequence was that aggressive agitation of bioleach solutions resulted in a significant mortality rate for the bacteria suspended in the leach solution.

### ***Uranium Deposits***

The deposits at Elliot Lake are referred to as uranium deposits because of the far greater economic importance of uranium production than that of REEs and thorium. However, in many areas of the mining camp, REEs occur in greater abundance than uranium.

There are few references as to the physical dimensions of the Elliot Lake deposits. They are commonly referred to as stratabound and 3-5 metres in thickness and having "good lateral continuity". The largest of the deposits, the Denison Mine, measured 19,500 m long by 1,400 m to 8,000 m wide. The deposit carried an average grade of 2.5 lbs of U<sub>3</sub>O<sub>8</sub> per ton of ore. The next largest at Rio Algom's Quirke Mine measured 13,000 m by 1,800-5,500 m

---

<sup>1</sup> Mischmetal is an alloy of rare earth elements in various naturally occurring proportions. Generally the composition includes approximately 50% cerium and 25% lanthanum with small amounts of neodymium and praseodymium and lesser amounts of the other rare earth metals. Yttrium may be an important component depending on the ore sourced. Differences in solubility of the individual REE's is used in refining each to an oxide or metal state.

wide. The Quirke A Reef at the #1 mine was 3.5 m thick. The Quirke #2 mine's C Reef was 1.8-3.6 m thick and other uranium-bearing horizons were present.

## **Exploration by CEC and Appia**

### *Present Status*

CEC contracted Fugro Airborne Surveys of Toronto (Mississauga), Ontario to fly an airborne MegaTem electromagnetic and magnetic survey over the Property during 2006. Most recently Appia has completed two programs of diamond core drilling.

Between 18 November, 2007 and 12 March, 2008 Appia drill-tested both the Teasdale Zone and the Banana Lake Zone. The drilling was designed by Appia to corroborate some of the previous drill holes in the Teasdale Zone and thereby provide a means to produce a NI 43-101 compliant Mineral Resource estimate for this zone. At Teasdale Lake six holes were drilled for a total of 2,650.2 m (8,695 feet) of drilling. On the Banana Lake Zone, Appia drilled four wedged holes from two previous holes put down by Kerr McGee in an effort to corroborate the previous deep intersections. Appia wedged holes from the lower sections of Kerr McGee's historical drill holes KM150-5 and KM156-5, respectively completed in 1969 and 1974, and successfully cut the uranium-bearing Matinenda Formation in four new locations, drilling a total of 1,235 m (4,052 feet). The 2007-08 program resulted in an expenditure of approximately C \$2 million.

A second program of diamond drilling was completed by Appia between October and December, 2008 which resulted in the drilling of two new cored holes from surface as well as a short wedge cut from the second hole. Appia drilled a total of 3,109 m (10,200 feet).

### *Sampling Method and Approach*

Given the depth to mineralization on the Property, no surface samples have been collected by Appia. The 2007-08 drilling program was completed using diamond drills under contract from Boart Longyear Canada Ltd. (North Bay, Ontario). All drill holes were located ashore or on an island in Quirke Lake. Thin ice development prevented drilling from locations on the lake. All core in the Teasdale Lake area was drilled using BQ-sized equipment (36.5 mm core) whereas the deeper wedged holes at Banana Lake were drilled using BTW-sized equipment. A total of 1,105 half-core samples were collected from the drill holes for analysis as well as 53 quality assurance/quality control ("QA/QC") samples that were inserted by the Appia geologist.

Subsequent to the initial sampling, and in response to increasing commodity prices for rare earth metals and oxides, samples were selected from the uranium-bearing 'reefs' for analysis for REE's, major elements (rock-forming oxides) and trace elements. Also included were samples from the zone located between the reefs such that the sample series represented a continuous record from just above the stratigraphically highest reef to just below the lowest reef. Material for analysis was taken from sample rejects which had remained in storage at the project laboratory in Ancaster, Ontario (Activation Laboratories).

### *Sample Preparation, Analysis and Security*

The sampling procedure utilized by Appia's personnel during the drill program is summarized as follows:

- 1) the core was geologically logged and sections were selected for analysis based on geology and radiometric activity using a hand-held RS-125 Super-SPEC portable gamma ray spectrometer manufactured by Radiation Solutions of Mississauga, Ontario, Canada;
- 2) the mineralized core intervals were split in the core shack in Elliot Lake using an impact splitter until a diamond core saw was purchased after the first drill hole was completed – all core thereafter was cut;
- 3) one half of the drill core was bagged, a pre-numbered sample tag was placed in the bag and the samples was sealed before being sent to Activation Laboratories ("Actlabs") in Ancaster, Ontario for analysis;
- 4) the remaining half of the core was retained in the core tray as a permanent record;

- 5) at the lab, the samples were dried, crushed and pulverized in preparation for analysis for uranium, and selected samples were also analyzed for gold and/or thorium; and
- 6) the trays of split drill core are stored in core racks that are inside a locked building in Elliot Lake.

The un-split cores from overlying formations are being stored outside of the core logging building, cross-stacked and covered within a fenced area.

The reject material used for REE, major oxide and trace element analysis was processed in the same manner as the original samples. REEs contents were determined at the Ancaster lab in accordance with the Code 8-REE Assay Package. Major elements were determined by sample Fusion with an ICP (WRA) finish. Trace Elements were determined also using sample fusion with an ICP/MS (WRA4B2) finish.

### ***Data Verification***

Due to the time that the site visit was undertaken, and the nature of the assignment, no samples could be taken of historical core for characterization purposes. WGM did not believe that analysing samples from the past producing mines would materially contribute to the project. An immense amount of data is available on the historical operations from Geological Survey of Canada sources and various research papers. Many high-level technical papers are also available for purchase (download) from internet sources such as Springerlink (<http://springerlink.metapress.com>), the International Atomic Energy Agency website (<http://www.iaea.org/DataCenter/index.html>), the Geological Society of America (<http://www.gsjournals.org/perlserv/?request=myprofile&a=ppv>) and the British Library (<https://direct.bl.uk/bld/Logon.do>).

No information was available for WGM to verify concerning the estimation of mineral resources and mineral reserves in the Elliot Lake mines. WGM was able to locate and review a document regarding practices used at the Agnew Lake Mine where “geological reserves” were calculated using a cut-off grade of 0.75 lbs U<sub>3</sub>O<sub>8</sub> per ton (0.38 kg/t). “Proven” reserves were restricted to reserves that occurred within 200 feet (61 m) of underground workings and were developed on two or more sides (Agnew Lake Mines, 1980). “Probable” reserves were uranium-bearing beds that occurred within 200 feet (61 m) of workings, but were only developed on one side, or alternatively, were uranium-bearing beds that had drill hole intersections closer than 400 feet (122 m) apart. “Inferred” reserves were defined as uranium-bearing beds that had drill hole intersections greater than 400 feet (122 m) apart.

WGM believes that similar practices were used for the Elliot Lake deposits. The continuity of the Elliot Lake ores is a well established fact. The reliance on data from widely spaced drill holes was common practice at the time, and supported by the uniformity of the ore and its stratiform character.

WGM had no information on the REE grades of the historical drill core. The logs that report uranium grades lack REE data. WGM believes that REE assaying was seldom practised as a result of the weak commodity prices that prevailed during much of the uranium mining that occurred in the Elliot Lake camp. WGM believes that the assured by-product nature of the yttrium-REE production coupled with the relative uniformity of yttrium and REE grades did not provide sufficient incentive for mines and explorers to incur the additional analytical costs.

### **Historical Data**

The historical nature of the previous exploration and the lack of surface outcrop of the mineralization did not, nor could it, provide a basis for Appia or WGM to collect representative or meaningful samples as a check on the previous exploration work.

WGM has accepted the historical data as factual. No reasonable amount of effort on WGM’s part could corroborate the previously reported drill hole data or the amount of resources remaining in underground mines. Proper verification of the past mineral resource/reserve estimate, which would include a substantial twined hole drilling program, was not possible under the current circumstances. No data or information sources that WGM gained during the course of this review could contribute materially to evaluating or auditing the stated mine reserves in respect to the remaining mineral resources. Furthermore, as no historical drill core was available for WGM to sample, no sampling of surface outcrops by WGM at this time could measurably impact current estimates of remaining reserves or resources which should be taken as order-of-magnitude.

WGM was able to verify some of the previously reported drill hole intersections insofar that the intersections are referred to in several documents originated by independent authors. WGM has no way of knowing whether the authors are quoting the same original source which WGM believes to be the mineral title assessment files of the MNM. In the case of key data, WGM efforts to corroborate information with the MNM met with mixed success. At the time, companies did not receive assessment credits for filing assay results and so many tended to withhold assay information at the time drill hole reports were filed. Companies could also file partial records for a drill hole, for example filing only the upper part of a hole, which might result in sufficient assessment credits to maintain the claims in good standing for another year.

Original drill hole assay certificates were unavailable for review, however many drill core assays are provided in the lithology logs. WGM had no means by which to verify the previous intersections, and no indication that an original assay data base was preserved. Nevertheless, given the well documented nature of the information available, WGM believes there is no reason to doubt the veracity of the historical records. WGM also believes that it is likely that such data exists in private files. It would be quite unusual if those companies with historical roots in the Elliot Lake mining camp did not maintain records of the work completed by their predecessors, and this information may be available under certain conditions. WGM also found it difficult to acquire complete information regarding uranium mining data (tonnes and grade of ore) and production data from published and internet sources as much of the information available is highly fragmented.

### **Drill Hole Collars**

WGM attempted to relocate the collars for Kerr McGee drill holes as WGM believes these provide a means for Appia to both confirm original intersections as well as to build a resource base through wedging off the original holes. WGM used the figures attached to the drill hole logs contained in the Ministry's assessment files as a means of locating the holes. The locations were well shown and accurately drawn. Some difficulty was experienced in establishing the correct geographical frame of reference in respect to roads and terrain, however the figures were the key to relocating the holes.

WGM was successful in locating the first two Kerr McGee holes selected. The MNM provided WGM with GPS co-ordinates for a selected group of ten hole locations, however the co-ordinates proved to be of little value as they had been measured from existing maps rather than having been measured in the field. WGM found these co-ordinates to be in error by 315 m in respect to hole 150-1 and 152 m in respect to hole 150-2. The direction of shift was not consistent between the two holes, so WGM concluded that the inaccuracy vests in the maps and not in a systemic shift (co-ordinate displacement). WGM attempted to locate hole 144-1, however time considerations did not allow for the hole to be found. WGM did determine that it was not located on a large bedrock ridge composed of Gowganda Formation on the southeast side of Quirke Lake as indicated. Rather, it seems to be located between the shore of the lake and the bedrock ridge.

Each of the drill holes located by WGM is situated on bedrock. Where the drill was located on a bedrock rise, the thin soil cover has generally prevented the forest from re-establishing itself. However, hole 150-1 was drilled in a small depression made where a tractor or bulldozer excavated the soil cover to expose bedrock – this site was substantially over-grown by trees to 10 cm diameter, and it was difficult to see the casing pipe even from within 5-10 m distance. The casing in each hole stands approximately 75-100 cm above the ground level. The casing appears to be BW size which would be typical for BQ drill pipe (core). Several sets of hold-down bolts are also present at each site. These are 2-3 cm rods which were used as a means of anchoring the drilling rig to bedrock.

WGM measured the co-ordinates for the holes using both the NAD-27 (Canada) datum used by the MNM as well as with the WGS-84 datum which is more conventionally used for GPS navigation at mid-latitudes. The locations were determined using the long-count averaging function of the GPS instrument. At each drill hole collar, 500 readings taken at a rate of one reading per second, were averaged giving an estimated position error of less than 3.5 metres. The chart datum was then changed and the measurements were repeated. The difference between the two set of co-ordinates was 2.7 and 4.7 metres with the WGS-84 locations due (precisely) west of the NAD-27 locations.

Averaging the UTM co-ordinates for each of the holes located by WGM, the locations are as follows:

150-1	Zone 17T	0377127.5 E	5146200 N	428.0 m elev.
150-2	Zone 17T	0371857.5 E	5145545 N	399.5 m elev.

On the basis of its fieldwork and conversations with MNDM personnel and others, WGM believes that Kerr McGee made a consistent practice of leaving its casing in the bedrock to provide a point of entry should additional coring and sampling be required in its drill holes. WGM acquired a set of drill logs for the holes drilled in the area of the Appia Property, however no information was available for Kerr McGee holes 150-1 and 156-5. While in the offices of the MNDM in Sault Ste. Marie, WGM spot tested several of the records provided to it by Appia and found them to compare favourably with the Ministry's records.

Subsequent to WGM's efforts, Appia retained stakers to relocate all of the previous holes deemed to be relevant to the major deposits discussed herein. These efforts were largely successful, and as a result, the original drill hole locations were essentially confirmed.

### ***Airborne Geophysical Surveying***

On 24 January, 2007, Fugro Airborne Surveys of Ottawa, Ontario carried out an airborne MEGATEM magnetic and electromagnetic survey of the CEC Claims that now comprise part of the Property. A total of 429 line-kilometres of surveying was completed on 56 profile lines using a De Havilland Dash 7 aircraft as a survey platform. The line length varied from 4 to 11 kilometres, and the line spacing was 200 m. WGM reviewed the summarized results of this survey and some of the flight line data. However, the usefulness of the initial survey report was limited by a complete lack of interpretative analysis. This was corrected in a Fugro report dated April, 2007 which is an interpretation of the survey data.

The magnetic survey showed a low magnetic feature representing the Quirke Lake syncline (basin) in the vicinity of Quirke Lake. A lobate magnetic high was observed SE of Quirke Lake and interpreted by Fugro to represent a near-surface intrusion. A series of NW-trending features and WNW-trending lineaments were also noted and ascribed to magnetic dikes and possible faults.

The electromagnetic survey resulted in the detection of several small anomalies and several broad anomalous zones, all of which were ascribed to cultural features. Two weak near surface anomalies were interpreted as "conductive lake bottom sediments".

### ***Induced Polarization Surveying***

During September, 2006, Quincy Energy Corp. (later to become Energy Metals Corp. through amalgamation) completed a 3-line IP survey over portions of the Property in Buckles Township as a means of testing the ability of the surveying technique to detect broad regional trends that might provide guides to uranium mineralization. An electrode spacing of 500 feet (152 m) was used with a dipole-dipole configuration to collect data for n=1 to n=6. Some deep electrical sounding was also performed. The survey was completed by Gradient Geophysics Inc. of Missoula, Montana.

The resistivity data from the survey showed "large scale structures" which did not have a coincident chargeability anomaly. Drilling was recommended by Gradient Geophysics Inc. to test the potential use of the surveying method. Vertical, near-surface fault structures were identified as targets.

Given the depth to the Matinenda Formation in the area of two of the profiles (line 0 and line 1), estimated to be approximately 1,160 m (3,800 feet) based on Kerr McGee drill hole 144-1, WGM is of the view that there is virtually no possibility that the IP survey provided useable information concerning the uranium-bearing quartz pebble conglomerates. Survey line 2 extended from an area near the Roche drilling on the western side of Quirke Lake southwards to the main access road. As the depth to the Matinenda Formation at the north end of the profile is approximately 600 m (2,000 feet), this line might have provided some useful information, however a large percentage of the survey profile was lost due to surface interference. WGM does not agree that drilling the

conductive zones identified by Gradient Geophysics Inc. represents a workable plan for future exploration in this area. The depth to the uraniferous Matinenda Formation is relatively well known on the Property in Buckles Township, and only geological modelling based on the well established geometry of the uranium-bearing horizons can be used as a way forward in exploration planning.

## Drilling

### *Phase One Drilling Program*

#### Summary

Between 18 November, 2007 and 12 March, 2008, Appia completed a total of 10 diamond drill holes totalling 3,885.2 metres on its Elliot Lake claims using two Longyear 38 drills. This drilling consisted of six new holes in the Teasdale Lake area and 4 holes that were wedged at depth from existing holes drilled in the Banana Lake area by a previous operator:

All of the drill hole locations were situated on-shore due to seasonal conditions when the drilling took place and/or thin ice conditions that prevailed during the winter of 2007-08. The Teasdale drilling program was supported by helicopter which enabled Appia to place one of the drills on a small island in Quirke Lake. A BH 205 A1 type helicopter owned and operated by Superior Helicopters based in Longlac, Ontario was used.

A summary of drill hole locations and other statistics follows in the table below. All drill hole collars were surveyed by GPS using the NAD 83 datum. Appia used a single GPS location measurement which was compared to two subsequent measurements. If the readings were within the estimated position error, the first reading was accepted by Appia as the official hole location.

Down hole control in all holes was provided using a Reflex EZ-Shot, a down-hole surveying instrument that provides electronic single shot surveying in a non-magnetic environment. The instrument can measure six parameters in one single shot: azimuth, inclination, magnetic tool face angle, gravity roll angle, magnetic field strength and temperature. All measured data is stored until the start of the next survey, and post-processing of survey data is possible with the Reflex Process application.

Appia Diamond Drill Hole Locations and Set-Up Information, 2007-08 Drilling Program

Drill Hole	Claim Number	Geographic and UTM Co-Ordinates					Bearing	Dip	Length (m)
		Latitude	Longitude	Zone	Easting	Northing			
Q-07-01	3009181	46° 29' 16.35"	82° 31' 20.97"	17T	383151	5149382	0	-90	327.0
Q-07-02	3009180	46° 28' 45.52"	82° 31' 24.33"	17T	383061	5148432	0	-90	609.0
Q-07-03	3009192	46° 28' 52.28"	82° 31' 49.52"	17T	382528	5148651	0	-90	546.0
Q-08-04	3009180	46° 29' 02.17"	82° 30' 55.30"	17T	383690	5148934	0	-90	410.0
Q-08-05	3009181	46° 29' 12.41"	82° 31' 09.89"	17T	383385	5149256	0	-90	375.0
Q-08-06	3009183	46° 28' 55.43"	82° 29' 51.32"	17T	385050	5148700	0	-90	377.0
BL-07-01-W1	3019234	46° 27' 03.30"	82° 41' 24.35"	17T	370200	5145537	0	-90	345.0
BL-07-01-W2	3019234	46° 27' 03.30"	82° 41' 24.35"	17T	370200	5145537	0	-90	317.6
BL-08-02-W1	3019234*	46° 27' 18.85"	82° 41' 56.75"	17T	369519	5146032	0	-90	125.6
BL-08-02-W2	3019234*	46° 27' 18.85"	82° 41' 56.75"	17T	369519	5146032	0	-90	453.0

Note: \* - very close to the west boundary, with claim # 4201501.

Appia analysed a total of 1,158 samples from the 10 diamond drill holes during the course of the 2007-08 drilling program. This included a total of 1,105 regular drill core samples and 53 QA/QC samples.

### Banana Lake Drill Holes BL-07-01-W1 and W2

In the Banana Lake Zone, two holes were wedged off hole KM 150-5, a historical hole completed in 1969 by Kerr McGee that intersected 0.88 lbs U<sub>3</sub>O<sub>8</sub> per ton over 13.4 m (44 ft).

The first wedged hole (BL-07-01-W1) commenced at a depth of 1,179 m and extended to 1,524 m. The hole was drilled in order to confirm mineralization reported by Kerr McGee. The uranium-bearing horizon, an interbedded quartzite and quartz-pebble conglomerate in the Matinenda Formation was intersected from approximately 1,414.41 to 1,481.9 m. The total thickness of the zone within which the uranium-bearing horizons are located was about 67.5 m. The best mineralized zone, averaging 0.433 lbs/ton U<sub>3</sub>O<sub>8</sub>, occurred at 1,440.68 to 1,476.25 m over an intersected length of 35.57 m. The highest uranium values were localized within narrow (centimetre to decimetre thick) quartz-pebble conglomerate beds containing with smoky quartz pebbles and approximately 5-15% pyrite. The top of the basement rock, which is mafic metavolcanic in composition, was intersected at 1,481.9 metres. Between 1,120.82 and 1,466.61 m, the drill hole intersected 0.461 lbs U<sub>3</sub>O<sub>8</sub> per ton across a core length of 45.79 m. Additional sections within this zone are summarized in the table below.

The second hole wedged at this set-up (BL-07-01-W2) was started at 1,169.59 m and drilled to a depth of 1,487.2 m for a total completion length of 317.61 m. The uranium-bearing horizon was intersected from approximately 1,411.40 to 1,479.22 m, over an apparent thickness of 67.82 m. The best mineralization was intersected over a 15.85 m interval between 1,442.0 and 1,457.85 metres – this averaged 0.55 lbs U<sub>3</sub>O<sub>8</sub>/ton. This and other intervals are summarized in the table below. The top of the metavolcanic basement rock was intersected at 1,487.2 m.

Uranium-Bearing Intervals in Wedged Appia Drill Holes BL-07-01-W1 and W2

DDH Name	Interval (metres)			Width	Grade	
	From	To	Width	(Feet)	lbs U <sub>3</sub> O <sub>8</sub> / ton	lbs ThO <sub>2</sub> / ton
BL-07-01-W1 including	1420.82	1466.61	45.79	150.24	0.461	n/a
	1435.86	1466.61	30.75	100.89	0.556	0.18
	1444.09	1466.61	22.52	73.89	0.688	0.20
	1444.09	1461.22	17.13	56.20	0.782	0.18
	1448.40	1451.30	2.90	9.51	1.058	0.22
	1457.57	1461.22	3.65	11.98	1.096	0.18
	1459.74	1461.22	1.48	4.86	1.880	0.29
BL-07-01-W2 including	1421.54	1462.18	40.64	133.34	0.41	0.16
	1442.00	1457.85	15.85	52.00	0.55	0.12
	1442.00	1444.56	2.56	8.40	0.81	0.20
	1443.70	1444.56	0.86	2.82	1.39	0.28

The intersections achieved in these steeply dipping holes are considered to be very close, within 5-7%, of the true thickness of the mineralized zones. The intervals and grades in the Appia holes are similar to those reported by Kerr McGee. Appia's intersections are 18%-28% longer and the grades are 11%-37% lower which demonstrates a normal trade-off between volume (tonnage) and grade.

### Banana Lake Drill Holes BL-08-02-W1 and W2

A second pair of wedged holes, BL-08-02-W1 and W2, was drilled from former Kerr McGee drill hole KM 156-5 which intersected 0.65 lbs U<sub>3</sub>O<sub>8</sub> per ton over 10.4 m (34 ft).

The first wedged hole was initiated at a depth of 1,397.4 m and was drilled a total length of 125.6 m until it was terminated at 1,523 m. This hole was located about 835 m north-northwest of former Kerr McGee drill hole

KM 150-5. The interbedded quartzite-conglomerate unit in the Matinenda Formation that contains uranium mineralization was intersected between 1,444.0 and 1,488.91 m. The total intersected thickness of the uranium-bearing zone was 44.91 m. The better mineralized portion of this zone was located at 1,444.0 to 1,481.0 m – an apparent thickness of 37 m averaging 0.425 lbs U<sub>3</sub>O<sub>8</sub>/ton. The better uranium values were associated with narrow (normally a few centimetres thick) quartz-pebble conglomerate beds containing smoky quartz pebbles with about 5-15% pyrite. This hole intersected several, narrow higher grading intervals with values greater than 5 lbs U<sub>3</sub>O<sub>8</sub>/ton including a narrow interval containing 8.68 lbs U<sub>3</sub>O<sub>8</sub>/ton over 0.15 m at 1,469.5-1,469.65 m and 6.52 lbs U<sub>3</sub>O<sub>8</sub>/ton over 0.28 m at 1,457.25-1,457.53 m. Many other samples carried between 1 and 4 lbs U<sub>3</sub>O<sub>8</sub>/ton. The various uranium-bearing horizons are summarized as follows in the table below. The top of basement rock, which is mafic metavolcanic in composition, was intersected at 1,516.4 m.

Uranium-Bearing Intervals in Appia Wedged Drill Holes BL-08-02-W1 and W2

DDH Name	Interval (metres)			Width	Grade	
	From	To	Width	(Feet)	lbs U <sub>3</sub> O <sub>8</sub> / ton	lbs ThO <sub>2</sub> / ton
BL-08-02-W1 including	1444.00	1481.00	37.00	121.40	0.425	0.14
	1457.25	1471.95	14.70	48.23	0.625	0.16
	1457.25	1459.47	2.22	7.28	1.148	0.23
	1457.25	1457.53	0.28	0.92	6.521	0.81
	1466.50	1469.65	3.15	10.34	1.206	0.23
BL-08-02-W2 including	1440.68	1476.25	35.57	116.71	0.433	0.06
	1451.92	1476.25	24.33	79.83	0.510	0.08
	1462.73	1465.90	3.17	10.40	1.259	0.30
	1463.71	1465.90	2.19	7.19	1.480	0.37
	1464.11	1464.80	0.69	2.26	2.039	0.48

The second hole wedged from Kerr McGee's KM 156-5 was started at 1,169.59 m. Appia drilled to a final depth of 1,520 m. The top of the uranium-bearing horizon was intersected at 1,434.27 m and it continued over a core length of 41.98 m to a depth of 1,476.25 m. Several narrow higher grading intervals were present with values exceeding 5.0 lbs U<sub>3</sub>O<sub>8</sub>/ton, including zones up to 7.64 lbs U<sub>3</sub>O<sub>8</sub>/ton over 0.1 m at 1,460.85-1,460.95 m and 7.24 lbs U<sub>3</sub>O<sub>8</sub>/ton over 0.13 m at 1,465.77-1,465.90 m. The major uranium-bearing intervals are summarized in the table above. The top of the basement sequence was intersected at 1,505.28 m.

Like with the first wedged set of holes, the Appia intersections are considered to be very close, within 5-7%, of the true thickness of the mineralized zones. The intervals and grades in the Appia holes are similar to those reported by Kerr McGee, and are actually higher if selected intervals are taken to match the Kerr McGee thicknesses. In one cut, Appia's intersection is 41% longer yet the grade is only 4% lower. In the second cut, Appia's intersection is more than twice (234%) the length of the Kerr McGee intersection yet the grade is only 21% lower. The Appia assays show a normal trade-off between volume (tonnage) and grade, but possibly show potential for grade/tonnage improvement in the historical resource estimate made by Rio Algom.

#### Teasdale Drill Hole Q-07-01

This hole, drilled to a total depth of 327 m, was located on the eastern shore of Quirke Lake and intersected several narrow, uranium-bearing conglomerate horizons ranging in thickness from a few centimetres to a fraction of a metre. The top of the uranium-bearing horizon, which is an interbedded quartz-pebble conglomerate and quartzite of the Matinenda Formation, can be placed at 239.63 m, and the bottom of the horizon is at 248.7 m. The total thickness of the mineralized horizon is approximately 9.07 m with an average grade of 0.52 lbs U<sub>3</sub>O<sub>8</sub>/ton and 3.00 lbs REE<sub>TOTAL</sub>/ton. An additional uranium-bearing horizon was encountered over a 93 cm interval in the lower portion of the Matinenda at 286.87 m with an average value of 0.91 lbs U<sub>3</sub>O<sub>8</sub>/ton but significantly less REEs (0.67 lbs REE<sub>TOTAL</sub>/ton). The upper and lower uranium-bearing zones were separated by an essentially barren 38.17 m thick horizon of quartzite. The top of the basement granite was intersected at 288.19 m. The mineralized intersections are summarized in the table below.



## Uranium-Bearing Intervals in Appia Holes Drilled on the Teasdale Zone

DDH Name	Interval (metres)		Interval Width		Grade		
	From	To	Metres	Feet	lbs U <sub>3</sub> O <sub>8</sub> / ton	lbs REEs/ton	lbs ThO <sub>2</sub> / ton
Q-07-01 including	239.63	248.70	9.07	29.76	0.519	3.00	0.67
	246.82	248.70	1.88	6.17	0.734	1.94	0.45
	247.35	248.70	0.65	2.13	1.008	3.37	0.55
	286.87	287.80	0.93	3.05	0.91	0.67	n/a
Q-07-02 including	544.35	551.80	7.45	24.44	0.644	4.14	0.90
	548.06	551.80	3.74	12.27	1.051	5.70	1.27
	548.06	550.00	1.94	6.37	1.391	5.87	1.33
	549.70	550.00	0.30	0.98	2.690	5.23	1.31
Q-07-03 including	486.38	493.94	7.56	24.80	0.709	3.95	0.77
	490.70	492.34	1.64	5.38	0.908	3.31	0.67
	490.70	491.07	0.37	1.21	1.404	5.48	1.18
Q-08-04 including	349.05	354.90	5.85	19.19	0.505	3.53	0.65
	349.55	351.60	2.05	6.73	0.821	6.31	1.11
	349.55	350.50	0.95	3.12	1.123	9.10	1.54
Q-08-05 including	296.93	302.90	5.97	19.59	0.656	2.80	0.61
	300.52	302.90	2.38	7.81	1.004	2.00	0.51
	301.26	302.90	1.64	5.38	1.214	1.79	0.45
	302.09	302.90	0.81	2.66	2.350	2.86	0.71
Q-08-06 including	326.87	333.31	6.44	21.13	0.404	2.41	0.53
	331.11	333.31	2.20	7.22	0.712	1.52	0.43
	331.66	332.26	0.60	1.97	1.439	2.66	0.35
The average content for rare earth elements are reported as total REEs							

**Teasdale Drill Hole Q-07-02**

Q-07-02 was a 609.0 m deep hole that was drilled on the eastern shoreline of Quirke Lake and located very close to a collar of a historical DDH named R-1 that was drilled by Roche Long Lac Mines (Roche) in the 1950s. Mining Recorder records show that R-1 intersected a 0.6 m thick horizon (556.4 - 557.0 m) averaging 1.1 lbs U<sub>3</sub>O<sub>8</sub>/ton. The Appia hole intersected several uranium-bearing conglomerate horizons ranging in thickness from a few centimetres to a fraction of a metre starting at 554.35 m. The various intersections are summarized in the table above. The top of the metavolcanic basement rock was intersected at 572.6 m.

**Teasdale Drill Hole Q-07-03**

Drilled near the eastern shore of a tiny island located in eastern Quirke Lake, this hole was located next to a historical Roche 1950-era drill hole collar for R-6. As of the date of the Technical Report, no information concerning R-6 was available to WGM. The hole intersected several uranium-bearing conglomerates ranging in thickness from a few centimetres to a fraction of a metre. These intersections are summarized in the foregoing table. Basement rock comprising pink granite was encountered at 520.0 m.

#### **Teasdale Drill Hole Q-08-04**

This hole was drilled near the southwestern shoreline of Teasdale Lake, a small lake located immediately east of Quirke Lake. The hole was collared near an old diamond drill hole collar for a hole named C-19, reportedly drilled by Conecho Mines Ltd. in the early to middle 1950s. Mining Recorder records indicated that C-19 intersected a 1.5 m thick zone with an average grade of 1.42 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.071% U<sub>3</sub>O<sub>8</sub>). The Appia hole Q-08-04 intersected several uranium-bearing intervals starting at 343.6 m, however better values were encountered from 349.05 to 354.9 m in a 5.85 m thick interval averaging 0.505 lbs U<sub>3</sub>O<sub>8</sub>/ton. The intersection that most closely matched the historical report returned 0.821 lbs U<sub>3</sub>O<sub>8</sub>/ton across 2.05 m between 349.55 m and 351.60 m. Compared to the original hole, this intersection marks a 44% increase in apparent thickness and a 42% decrease in grade – these results appear to be a trade-off of grade against volume. The intersections in this hole are summarized in the table above. Pinkish granite basement rock was encountered below 410.0 m.

#### **Teasdale Drill Hole Q-08-05**

The Appia hole was collared close to the collar of historical drill hole collar C-15, a hole completed near the northwestern shore of Teasdale Lake by Conecho in the early to middle 1950s. Conecho reported an intersection of 1.5 m with an average grade of 1.38 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.069% U<sub>3</sub>O<sub>8</sub>). In the Matinenda Formation Appia's new hole intersected a 12.9 m thick uranium-bearing zone at 290.0-302.9 m with an average value of 0.451 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.0225% U<sub>3</sub>O<sub>8</sub>). Within this zone, Appia's intersection of 1.214 lbs U<sub>3</sub>O<sub>8</sub>/ton over 1.64 m at 301.26-302.90 m confirmed the earlier Conecho report. The Appia intersection was 9% longer with a 12% diminishment of grade. Mineralization was hosted within a section of interbedded quartz-pebble conglomerate and quartzite. As seen in all other Appia holes, high uranium values were associated with quartz-pebble conglomerate horizons and those that had the higher pyrite contents generally had higher uranium contents. The Appia intersections are summarized in the table above. Metamorphic basement in the form of pinkish granite was encountered at 349.1 m.

#### **Teasdale Drill Hole Q-08-06**

Appia drill hole Q-08-06 was collared near the northern shoreline of Teasdale Lake. As the most easterly hole drilled by Appia in the area, it was situated about 1.6 km east of Q-08-04 in the vicinity of historical 1950s-era Conecho hole C-12. Appia was unable to relocate the casing for this hole, however, Mining Recorder records provide sufficient evidence to indicate that the Appia hole must have been relatively close to the older hole. Records indicate that C-12 intersected a 1.5 m thick zone with an average value of 1.23 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.062% U<sub>3</sub>O<sub>8</sub>). The Appia hole intersected a uranium-bearing zone from 326.87 to 333.31 m (6.44 m thick) having an average grade of 0.404 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.02% U<sub>3</sub>O<sub>8</sub>). A narrower zone and higher grading zone at 331.66-332.26 m (0.60 m) averaging 1.439 lbs U<sub>3</sub>O<sub>8</sub>/ton may approximate the reported historical result. These results are summarized in the table above. Pinkish granite basement rock was present in the hole below 361.5 m.

### ***Phase Two Drilling Program***

#### **Summary**

Between October and December, 2008, Appia completed two new diamond drill holes and a short wedged hole cut from the latter of the two holes. All of the drilling was completed to test the Banana Lake Zone. In total, 3,109 m (10,200 feet) were drilled in holes BL-08-03, BL-08-04 and BL-08-04-W1. The holes were intended as step out holes to extend the known Banana Lake uranium mineralization in a northerly direction away from those intersections achieved in Appia's 2007-08 Phase One drilling program.

#### **BL-08-03**

According to Appia's core logs, the drill hole intersected a relatively thin (8.62 m or 28.3 ft.) Ryan Member at the base of the Stinson Member at 1,507.29m (4,945.2 ft.). The basal Stinson conglomerate rested on 3.21 m of cobble reef followed by 4.94 m of quartzite and then by 0.47 m of pyritic quartz-pebble conglomerate mixed with

paleosol resting on basement paleosol <sup>2</sup>. The cobble reef, quartzite and paleosol had average uranium contents of 0.60, 0.20 and 1.37 lbs U<sub>3</sub>O<sub>8</sub>/ton, respectively. The Pardee, Nordic and Lacnor reefs were either not deposited at this location or, were subsequently eroded or removed during the deposition of the overlying Stinson Member which is extraordinarily thick at 108 m (357'). Twenty-four samples of core were taken for analysis. The best intersections are summarized in the table below. A narrow higher grading horizon in the quartzite averaged 1.48 lbs U<sub>3</sub>O<sub>8</sub>/ton over a thickness of 0.55 m (1.80 ft.). Included with its wider lower grading shoulders, the horizon produced an average of 0.60 lbs U<sub>3</sub>O<sub>8</sub>/ton over a thickness of 3.21 m (10.53 ft.).

#### BL-08-04

In this Appia drill hole, the Ryan Member is a more conventional 31 m (102 ft.) thick, and is overlain by the Stinson basal conglomerate. The hole intersected the hanging wall of the Lacnor Reef at 1,471.52 m (4827.8 ft.). The reef was 4.56 m (14.9 ft.) thick and 38 samples were collected for analysis. The Pardee and Nordic Reefs were not deposited at this location, or if they were present at one time, they were subsequently eroded by the overlying Stinson Member which is 68.67 m (225.3 ft.) thick. The sample series spanning the Lacnor Reef has an average grade of 0.85 lbs U<sub>3</sub>O<sub>8</sub>/ton over a thickness of 8.50 m (27.9 ft.). Additional mineralized sections are presented in the table below. The footwall of the Lacnor Reef was intersected at 1,480.02 m (4,855.7 ft.) and the Archean basement was reached at 1,498.39 m (4,915.9 ft.). There were no significant uranium values over economically interesting widths in the cobble beds between the Lacnor Reef and the basement.

Uranium-Bearing Intervals in Appia Holes Drilled on the Banana Lake Zone

DDH Name	Interval (metres)			Width	Grade	
	From	To	Width	(Feet)	lbs U <sub>3</sub> O <sub>8</sub> / ton	lbs ThO <sub>2</sub> / ton
BL-08-03 including	1507.29	1510.50	3.21	10.53	0.600	0.09
	1509.95	1510.50	0.55	1.80	1.484	0.16
BL-08-04 including	1471.52	1480.02	8.50	27.89	0.853	0.14
	1471.72	1474.23	2.51	8.24	1.039	0.17
	1475.30	1476.40	1.10	3.61	1.402	0.09
	1477.24	1480.02	2.78	9.12	0.872	0.13
BL-08-04 W1 including	1472.69	1481.01	8.32	27.30	1.028	0.14
	1472.69	1475.35	2.66	8.73	1.217	0.18
	1476.25	1479.35	3.10	10.17	1.024	0.14
	1479.71	1481.01	1.30	4.27	1.577	0.17

#### BL-08-04-W1

This Appia hole was wedged off the initial pilot hole BL-08-04. The purpose of this wedge cut was to have two reef evaluations close to one another thus increasing the confidence level of the results. The geology of the comparable sections are essentially the same. The thickness of the Ryan Member is 31.6 m (103.6 ft.) versus 31 m in the pilot hole. The hanging wall of the Lacnor Reef was intersected at 1,472.69 m (4,831.7 ft.). This point was 4.82 m (15.8 ft.) below the bottom of the Stinson Member basal conglomerate. Forty samples were taken for analysis. Over a 8.32 m (27.3 ft.) section spanning the reef, the average uranium content was 1.028 lbs U<sub>3</sub>O<sub>8</sub>/ton. Other narrower intersections within this zone are presented in the table above.

Given the geometry of the hole and the uranium-bearing horizons, the intersections essentially represent true thicknesses.

---

<sup>2</sup> Paleosol, also called regolith, is dark green gray or black silt or mud-like material lying on top of the weathered surface of the Archean unconformity. It is very rare for paleosol to contain significant amounts of uranium.

The Archean basement was intersected at 1,499.43 m (4,919.4 ft.). As in the pilot hole, no economically significant uranium grades were found in the cobble beds between the Lacnor Reef and the basement.

WGM believes that it is likely that potentially interesting uranium mineralization will extend further east-southeast to the vicinity of historical hole KM-150-2. This would extend the total strike length of the mineralized zone to at least 3 kilometres in this area. There is a potential for significant tonnage of lower grading uranium mineralization in the Banana Lake Zone. Appia's most recent drilling (BL-08-03, '04 and '04-W1) clearly shows potential for higher grading mineralization to the north and northwest.

WGM is of the opinion that the current drilling by Appia in the Banana Lake Zone has demonstrated sufficient continuity of grade and thickness that it is possible to undertake a NI 43-101 compliant resource estimate for portions of the mineralized zone. Considerable additional drilling will be required before it will be possible to complete a NI 43-101 compliant resource estimate for the entire zone.

### **Sampling Method and Approach**

During the drilling program, uranium-bearing intervals were delineated on the basis of diagnostic radiometric signatures as measured with a hand-held RS-125 Super-SPEC portable gamma ray spectrometer manufactured by Radiation Solutions of Mississauga, Ontario, Canada. The specifications and capabilities of this instrument are described in Section 9.3 of the Technical Report. It is important to understand that the equivalent potassium, uranium and thorium data provided by portable spectrometers allow insight into the elemental make-up of a radioactive source, but they do not provide analytical data. Such data can only be reliably provided through conventional analytical means. Equivalent metal data is calculated based on statistical algorithms integral to the instrument's software, and the accuracy of such data is influenced by the manner in which the instrument is used, its performance, ambient conditions and operator experience. Radiometric data was used as a guide in selecting intervals to be sampled.

Appia's 2007-08 drilling program generated 1,158 samples of which 1,105 were regular drill core samples and 53 were QA/QC samples that were inserted into the sample stream. All samples were analysed as batches and the lab was not aware of the QA/QC samples. One of three (DL 1A, UTS-4 and BL-3) standards from CANMET and CDN Laboratories Ltd. ("**Can Labs**") of Burnaby, B.C. (DL 1A, UTS-4 and BL-3) was inserted into the sample stream. In addition, duplicate samples and one field blank (from barren country rock) were also collected and inserted into the sample stream. Control samples constituted approximately 5% of the samples submitted by Appia. This QA/QC program was in addition to the internal control program carried out by Actlabs, a fully accredited geochemical laboratory located in Ancaster, Ontario meeting both ISO/IEC 17025 with CAN-P-1579 standards as recommended by the Toronto Stock Exchange-Ontario Securities Commission mineral standards taskforce.

On receiving the samples, Actlabs dried and crushed the entire core sample to a nominal 85% passing a #10 mesh screen, before repeated riffle splitting of the crusher product to generate an aliquot of approximately 250 g. The subsample was then pulverized to a nominal 95% passing a #150 mesh screen using a ring and puck pulverizer. Cleaner (wash) sand was used between each sample to prevent carry-over.

The analysis of samples for uranium was primarily by Actlabs' Code 5D which uses neutron activation and delayed neutron counting (DNC). Approximately one gram of sample was weighed into a polyethylene capsule which in turn was sealed into a carrier vial for neutron irradiation within a slowpoke nuclear reactor. The sequentially irradiated samples are transferred automatically to the BF3 counting array detector using a computer automated system. Calibration is achieved with certified reference materials. All elements in the sample absorb neutrons which produce a subsequent emission that can be used to measure the composition of the sample using an array of BF3 neutron detectors. This technique, more generally referred to as neutron activation analysis, is ideal for measuring uranium and many other trace elements from sub-ppm to percentage levels. The method does have limitations as certain interferences can occur. It measures total metal content which may not be relevant in the sense of mineral economics, for example, it measures total uranium rather than soluble uranium. While the difference may be trivial in most geological environments, DNC analysis may include non-recoverable uranium that is contained in the crystal lattice of resistate minerals such as zircon. Samples greater than 1% (10,000 ppm) U are reanalyzed by using a lithium metaborate/tetraborate fusion in platinum crucibles with analysis of the glass bead by XRF. This, again, is a very robust digestion which may report uranium in resistates.

Other elements were determined by Actlabs Code 5 (A & B) by which pulverized sample material is weighed into small polyethylene vials specially fabricated for Actlabs to ensure they have a low background in metallic elements. After the weight is recorded, samples are irradiated with control international reference material CANMET STSD-2 and NiCr flux wires at a thermal neutron flux of  $7 \times 10^{12}$  n/cm<sup>2</sup>/s in the McMaster slowpoke reactor. Following a 7-day decay cycle (cooling time) the samples are measured by an Ortec high purity Ge detector with a resolution of 1.67 KeV for the 1332 KeV Cobalt-60 photopeak. The detector is linked to the Canberra Series 95 multi-channel counting system and is fully computer automated. Activities for each element are decay and weight corrected and compared to a detector calibration developed from multiple international certified reference materials. STSD-2 is used solely as a control to verify the system is operating properly. Selected samples are re-measured and compared to the original as part of the QA/QC procedure.

A few samples were analysed for gold using an Actlabs Code 1A2 procedure which is a conventional 1050°C fire assay on a 30 g charge with an atomic absorption instrumental finish with a 5 ppb lower detection limit (the upper limit is 3,000 ppb). Samples exceeding the upper limit of 3,000 ppb are reanalyzed using a gravimetric finish in which the prill is weighed.

The second drilling program, carried out during the second half of 2008, employed the same Actlabs' sampling practices and techniques, and essentially the same analytical techniques and protocols. Gold was determined using the same Actlabs' fire assaying code (1A2) with an instrumental AA finish. Uranium was determined using Instrumental Neutron Activation Analysis commonly referred to as INAA. All samples were analysed for a suite of 56 trace and indicator elements (Ag, Al, As, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cs, Cu, Dy, Er, Eu, Fe, Ga, Gd, Ge, Hf, Ho, In, K, La, Li, Lu, Mg, Mn, Mo, Na, Nb, Nd, Ni, Pb, Pr, Rb, Re, Sb, Se, Sm, Sn, Sr, Ta, Tb, Te, Th, Tl, Tm, U, V, W, Y, Yb, Zn and Zr) using an Actlabs UltraTrace 5 protocol employing a 4-acid (total) digestion with an instrumental finish employing a mass spectrometer.

WGM's experience from comparative analysis using DNC, INAA and conventional 4-acid digestions has shown that some systemic differences can be expected in the geochemical populations generated by each of these techniques. Data levelling could be a legitimate concern if the Appia exploration program was directed at the detection of subtle anomalies. Aqua regia digestions can produce far greater variances with neutron activation and total digestion techniques. However, in the case of the Appia program, the differences are relatively small and are not significant within the context of an exploration program directed at the testing of known mineralized zones having economically interesting levels of mineralization. The differences in analytical technique between the first and second drilling programs have very limited impact on the overall project database.

### **Sample Preparation and Security**

For reasons cited herein, no surface sampling has been carried out by Appia on the Property, and all samples submitted for analysis have been derived from diamond drill core.

Mineralized core intervals were sawn/split in the field, one half was retained in the core tray as an archived record and the other half was placed in a plastic sample bag, sealed and sent for analysis to Actlabs. The Appia geologist retained possession of samples until they were delivered to the courier for shipping to the lab.

In order to ensure that QA/QC protocols are followed, a system of blank and standard samples was implemented. All drill holes were surveyed with down-hole logging equipment including a spectrometer to ensure that assay intervals were confirmed and accurately reported.

All the split cores are currently being stored in core racks that are inside a locked building in the town of Elliot Lake. The un-split cores are being stored outside the building, cross-stacked, in a fenced area. Sample intervals from the drill program are permanently recorded in drill logs combined with the assay results.

WGM is satisfied with the adequacy of the sample preparation, security and analytical procedures for the purposes for which the data is being used and that the data itself is adequate for the purposes for which it is being used.

## **Data Corroboration**

### ***Overview***

The WGM geologist used a Garmin 76MAP GPS instrument to audit the locations of selected mine infrastructure and drill holes reported in the Technical Report. Processing used the GPS Utility (Version 4.02.4) software available as freeware from Alan Murphy's website at <http://www.gpsu.co.uk>. WGM uses a licensed up-grade of this software which permits the handling of large data sets.

The WGS-84 datum, the international default datum for mid-latitude regions, was used to provide all measurements. The MNDM uses the NAD-27 (Canada) datum for its records of drill hole locations stored in its ERMES database, and so all WGM measurements were also recorded in NAD-27 (Canada). The physical difference in co-ordinates between the two datums was 3-5 metres as measured on the ground. The GPS Utility software converted between the two datums and between geographic co-ordinates and UTM co-ordinates with no significant variance after the data is discounted for the estimated position error.

WGM found the MNDM co-ordinates for previously drilled holes to be inaccurate, even allowing for any reasonable degree of GPS error. Differences between plotted positions shown in the Mining Recorder's assessment records and the actual locations varied by 155 to 330 metres. WGM understands that the recorded co-ordinates were measured from existing maps, and that these maps are imprecise. WGM also found that the graphical locations shown on sketch maps that accompanied the drill hole logs filed by Kerr McGee Corp. were reasonably accurate. Some diligence was required on the ground to ensure that the correct geographic features were being used, and this was not always easy given the 30 years of forest growth that had occurred since many of the holes had been completed.

Due to the nature of the previous deep drilling and sampling programs, little of the historical core was available for inspection at the core library, and none of it was available for check sampling.

WGM confirmed the location of Banana Lake drill hole BL-08-02 which is located at 46° 27' 18.4" north latitude and 82° 41' 56.8" west longitude (UTM Zone 17T 369518E 5146020N) using position averaging over a 5-minute count (300 readings). The hole was completed at an elevation of approximately 391 metres. The estimated range of error on the GPS was 1.9 m. at an elevation of 391 m. Appia's reported UTM location was 369519E and 5146032N, a difference of approximately 12 m and within the overlapping spheres generated taking into account estimated position errors. The WGM location was based on the instrumentally generated average of repeated GPS measurements measured automatically every second over a 5-minute interval with an estimated position error of two metres. The WGM procedure for measuring the location was more precise than that used by Appia during the initial drilling program carried out in 2007-08. The fact that Appia used the NAD-27 datum and WGM used the WGS-84 datum was shown to have negligible affect in accounting for any differences in location.

### ***Bedrock Sampling***

As mentioned in the foregoing text, the mineralized conglomerates in the Matinenda Formation rarely outcrop and do not outcrop on the Property. No amount of surface sampling can provide Appia with the answers that it requires in respect to the deep uranium-bearing conglomerates that have been intersected previously in the project area.

Prior to the 2007-08 drilling program, no recent sampling work had been carried out on the Property, and so during its site visit WGM was not able to observe any such work being completed. Nevertheless, it is WGM's view that no amount of surface sampling carried out at the time of its site visit or in the future could provide useful information in respect to confirming the deep mineralization known to exist on the Property.

Appia followed WGM's recommendation for a program of deep drilling using the previous drill holes as a cost-effective means of quickly placing a wedge at a depth of 1,000-1,300 m. New holes were wedged off the original hole in such a way as to provide new drill core from the uranium-bearing conglomerates below the depth of the wedge. Rather than providing a twinned sample point, the intent of this drilling was to maximize hole deflection off the wedge and below, and thereby provide additional sampling points at a maximum possible distance from the original hole. Therefore, the new Appia assay data was not expected to precisely match that of the historical intersections. Appia's analysis of the new core essentially confirmed the earlier results although grades and

thicknesses were somewhat different. Appia's second drilling program resulted in the drilling of two step-out holes which also corroborated the geological model and the anticipated potential for uranium resources in the Banana Lake Zone.

Appia also followed WGM's recommendation for a drilling program intended to corroborate some of the historical drill holes in the Teasdale Zone. The Appia holes were positioned as close as possible to the casing marking the collars of the historical holes, and drilled at the same vertical orientation as the original holes. Allowing for some variations attributable to sample interval selection, the new Appia assay data was expected to duplicate that of the historical intersections. Some variations were encountered, however no variations were found such that mineralization was absent where formerly reported. In addition, the thicknesses of the mineralized zones were comparable.

As mentioned in the foregoing text, no amount of surface sampling will provide Appia with the answers that it requires in respect to the deep uranium-bearing conglomerates that have been intersected previously in the project area.

### *Evaluation of Laboratory Performance*

Given the historical nature of the previous exploration work, WGM did not attempt to determine which laboratories were used previously.

The WGM geologist and QP, Al Workman, P.Ge., was active in the uranium industry during the period 1975-1982, and believes that the existing laboratories at the time were very capable of producing high quality analytical data for uranium and thorium. In addition to laboratories such as the Technical Services Laboratory and the X-Ray Assay Laboratory "XRAL" (now SGS-Lakefield) in Toronto and the Barringer Laboratory in Mississauga, both Actlabs in Ancaster and XRAL were providing neutron activation analysis through the use of the Slowpoke reactor at McMaster University in Hamilton, Ontario. Detection limits at that time were commonly in the range of 1-2 ppm uranium. WGM has no way of determining the precision with which the uranium contents were determined for historically analysed drill core.

WGM reviewed the results of Appia's quality assurance/quality control ("QA/QC") program carried out during the recent diamond drilling and noted the following four failures of standards:

Hole ID	ActLab's File No.	Sample No.	Standard	Uranium Assay (ppm)	
				Actlabs	Certified Value
Q-08-04	A08-0423	32896	Std. DL 1A	21	116
BL-08-02-W1	A08-0915	A 160300	Std. DL 1A	140	116
Q-08-04	A08-0423	32923	Std. UTS-4	870	1,011.5
BL-08-02-W1	A08-0915	A 160290	Std. UTS-4	1,210	1,011.5

Appia noted that most industrial standards were reported to have uranium contents close to the accepted values. Appia averaged the test results on these standards, and again noted that the average of all determinations was very close to the accepted assay. WGM reviewed the data and noted the foregoing assays of standards that fell outside of what WGM would accept as a normal range of values. Actlab's internal checks that were inserted at the time of analysis performed well, so it is possible that the failures represent anomalies within the standard (as unlikely as that may seem). These findings were discussed with the initial Appia project geologist, Sonny Bernales, and it was agreed that additional tests would be made in the future on any samples associated with unusual assays of such standards.

### *WGM Check Sampling*

WGM collected a set of check samples during its site visit in June 2008. These samples were submitted to Actlabs for analysis. In order to investigate the impact that analytical technique might have on the reported assay, WGM requested that each sample be analysed using three techniques: (1) a delayed neutron count (DNC) determination that duplicates the original analytical procedure and reports total uranium; (2) a multi-element analysis by

instrumental neutron activation analysis (INAA) that reports total uranium; and, (3) a mass spectrometer analysis of the sample following a moderate acid digestion using aqua regia to liberate easily leachable uranium.

In general WGM's numbers from check samples for lower grading samples are higher than the originals, and the high grade originals came back lower in WGM's checks. The duplicate samples analyzed by the DNC method (same as Appia) show a moderate variance in uranium results as compared to the original values. Analysis by INAA seems to have produced data for most samples that is closest to the original values. The use of an aqua regia extraction combined with an instrumental mass spectrometer finish predictably produced significantly lower grades in the WGM samples than in the original assays. WGM believes that this is due to incomplete sample digestion in a moderately acidic medium. Clearly, a stronger leachate is required to fully liberate the uranium from the sample, but this usefully does illustrate the fact that analytical techniques involving irradiation result in total uranium being reported and this can produce very different results than acid extraction techniques. The differences cannot be explained by laboratory error as Actlabs internal check samples produced acceptable results.

### Mineral Resource and Mineral Reserve Estimates

#### General

WGM prepared a Mineral Resource estimate for mineralized zones belonging to the Teasdale and Banana Lake Zones that have sufficient data to show continuity of geology and grades set out in the tables below. The Teasdale Zone estimate was prepared from a polygonal model using a geological cut-off and a minimum bed thickness of 2.44 metres (8 ft.) which takes into consideration the continuity of grade within the various mineralized beds and historical mining practices. No grade cut-off or high capping was used for this estimate as the grades were themselves quite robust and the utilization of a cut-off grade would require complex economic modelling of individual metals that is not required at this time. The estimate was based on total REE content ("TREE") as the main subject of interest, however the average grade of the most abundant individual rare metals was estimated. The mineralized zone was geologically constrained by the well defined markers provided by the upper surface of the highest mineralized bed and the lower surface of the basal bed.

Summary of Teasdale Zone Rare Earth Metal and Uranium Resource Estimate

Category	Tonnes (‘000)	Tons (‘000)	TREE (%)	U <sub>3</sub> O <sub>8</sub> (lb/ton)	Average Thickness (m)	Contained TREE (‘000 lbs)	Contained U <sub>3</sub> O <sub>8</sub> (‘000 lbs)
Indicated	3,366	3,710	0.146	0.506	9.76	10,852	1,878
Inferred	21,217	23,388	0.181	0.615	7.22	85,895	14,379

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m<sup>3</sup> (or 3.14 tons/m<sup>3</sup>) was used.
6. Indicated amounts may not precisely sum due to rounding.

The average grades for the most abundant REEs are: Lanthanum 0.045%; Cerium 0.080%; and Neodymium 0.026%. The next most abundant REE is yttrium at 0.007% and Gadolinium at 0.003%.

The Banana Lake Mineral Resource estimate in the table below was prepared from a block model using a 0.6 lb U<sub>3</sub>O<sub>8</sub>/ton cut-off grade, a minimum vertical thickness of 5 m, and based on the assumption that material from this deposit would be refined in a central milling facility that would accommodate neighbouring mining operations in the



Elliot Lake camp, thus significantly reducing capital and operating costs. The increased minimum thickness was imposed by WGM to provide a basis for the use of larger underground equipment as a cost-reduction strategy, however this restriction had little impact on the contained resources.

Summary of Banana Lake Zone Mineral Resource Estimate  
(using 0.6 lb U<sub>3</sub>O<sub>8</sub> / ton Cut-Off Grade)

Category	Tons (‘000)	S.G. (tons/m <sup>3</sup> )	lbs U <sub>3</sub> O <sub>8</sub> /ton	Total lbs U <sub>3</sub> O <sub>8</sub> (‘000)
Inferred Resources	30,315	3.14	0.912	27,638

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m<sup>3</sup> (or 3.14 tons/m<sup>3</sup>) was used.
6. Indicated amounts may not precisely sum due to rounding.

### *Teasdale Zone*

The current WGM Mineral Resource estimate above takes in both uranium and rare earth element mineralization and is based on the six holes completed by Appia. This represents a subset of the total 22 holes drilled on the deposit and used in the aforementioned WGM audit. Because only these six Appia holes were assayed for rare earths, the current Mineral Resource estimate has been restricted to the area of influence of this data and the historical drill holes have been necessarily excluded.

The estimate was prepared from a polygonal model using a C\$:US\$ exchange rate of 1:0.9 and on the following metal prices (per kilogram, unless otherwise noted): La<sub>2</sub>O<sub>3</sub> \$12.53; Ce<sub>2</sub>O<sub>3</sub> \$10.80; Pr<sub>2</sub>O<sub>3</sub> \$31.66; Nd<sub>2</sub>O<sub>3</sub> \$32.49; Sm<sub>2</sub>O<sub>3</sub> \$7.71; Gd<sub>2</sub>O<sub>3</sub> \$7.91; Eu<sub>2</sub>O<sub>3</sub> \$506.09; Dy<sub>2</sub>O<sub>3</sub> \$152.25; Y<sub>2</sub>O<sub>3</sub> \$22.05, and; uranium US\$55/lb. No per cent TREE cut-off was used for the reporting of resources, however implicitly there is an internal cut-off grade of about 0.05% TREE (i.e. the lowest grade interval included in the mineralized envelope at the hanging wall and footwall contacts). The resource envelop was geologically constrained by the geological contacts of the zone as follows:

- the upper surface of the stratigraphically highest U-bearing conglomerate (reef); and,
- the under surface of the stratigraphically lowest U-bearing reef.

WGM imposed a 2.44-metre (8 ft) minimum thickness requirement on the Teasdale Zone which reflects historical mining practices in the Elliot Lake district. All of the Appia drill hole intersections exceeded this thickness. Indicated and Inferred Mineral Resources are reported in the table below and are summarized in detail on a hole-by-hole basis as follows:

Drill Hole	Tonnes (‘000)	Tons (‘000)	TREE (%)	U <sub>3</sub> O <sub>8</sub> (lb/ton)	Average Thickness (m)	Contained TREE (‘000 lbs)	Contained U <sub>3</sub> O <sub>8</sub> (‘000 lbs)
<b><u>Indicated Mineral Resources</u></b>							
Q-07-01	1,570	1,731	0.150	0.519	9.07	5,193	898
Q-08-05	<u>1,795</u>	<u>1,979</u>	0.143	0.495	10.37	<u>5,660</u>	<u>979</u>
<b>TOTAL *</b>	<b>3,366</b>	<b>3,710</b>	<b>0.146</b>	<b>0.506</b>	<b>9.76</b>	<b>10,852</b>	<b>1,878</b>

Drill Hole	Tonnes (‘000)	Tons (‘000)	TREE (%)	U <sub>3</sub> O <sub>8</sub> (lb/ton)	Average Thickness (m)	Contained TREE (‘000 lbs)	Contained U <sub>3</sub> O <sub>8</sub> (‘000 lbs)
<b><u>Inferred Mineral Resources</u></b>							
Q-07-01	3,444	3,796	0.150	0.519	9.07	11,389	1,970
Q-07-02	2,599	2,865	0.285	1.051	3.74	16,329	3,011
Q-07-03	5,156	5,683	0.200	0.718	7.42	22,733	4,081
Q-08-04	1,680	1,852	0.277	0.704	2.55	10,261	1,304
Q-08-05	3,565	3,929	0.143	0.495	10.37	11,238	1,945
Q-08-06	4,774	5,262	0.123	0.393	6.87	12,945	2,068
<b>TOTAL *</b>	<b>21,217</b>	<b>23,388</b>	<b>0.181</b>	<b>0.615</b>	<b>7.22</b>	<b>85,895</b>	<b>14,379</b>

*\* Totals may not sum due to rounding.*

WGM’s previous audit showed that a representative area of influence (search ellipsoid) with a radius of 89 m would be appropriate for the deposit as this provided results very close to the historical estimate. However, based on WGM’s experience and mining practice in the Blind River area, we believe that a search radius of 89 m is conservative for a stratiform uranium deposit such as those in the Elliot Lake area. Mining practice demonstrated that a spacing of several hundred metres can be used to predict grade. In light of the geological nature of the deposit, especially its great lateral continuity, a polygonal radius of 140M was used for defining the area of influence for Indicated Resources. For comparative purposes, this radius is well within the 200 m hole spacing recently recommended by the consultants working on the Pele Mountain Resources Elliot Lake project for upgrading Inferred Resources to Indicated Resources pursuant to a NI 43-101 compliant preliminary feasibility study (Cochrane, Hwozdyk and Hayden, 2007). The Inferred Resources were calculated with a similarly defined polygonal radius of 280 m.

### **General Mineral Resource Estimation Procedures**

The polygonal model Mineral Resource estimate procedure included:

- importing/compiling and validation of data from Microsoft Excel to Gemcom GEMS v6.2.4 to create a Project database;
- statistical analysis;
- validation of geological model for use as resource envelope;
- compositing assay intervals within the mineralized boundaries - limited to one composite per hole;
- extruding polygons around each drill collar with a radius of 140 and 280 metres, and assigning thickness’ equivalent to individual composite lengths;
- reporting volumes and grade in each of the extruded polygons; and
- categorizing the Mineral Resources according to NI 43-101 and CIM definitions.

### **Database**

#### General

Data used to generate the Mineral Resource estimates originated from Microsoft Excel files supplied to WGM by Appia. A GEMS project was established to hold all data and to be used for the manipulations necessary for the Mineral Resource estimate.

The Teasdale drill hole database consisted of the 6 new Appia drill hole collar locations in the UTM co-ordinate system and geological descriptions (holes Q-07-01 to Q-07-3, and Q-08-04 to Q-08-06). The database consisted of key data such as drill hole collar, survey, assay, and lithological information as well as geological codes and 360 assay intervals containing values for TREE (%) and lbs U<sub>3</sub>O<sub>8</sub>/ton (and other elements including: Th (ppm), ThO<sub>2</sub> (%), LREE (%), HREE (%), La (%), Ce (%), Nd (%), Gd (%) and Y (%)), of which 42 were not assayed for rare earths. Assay intervals averaged 0.31 m in length, with the smallest interval measuring 0.03 m and the largest measuring 2.21 m. Lithological cross-sections of each of the drill holes were supplied in PDF format, as well as original digital assay certificates as supplied by Actlabs of Ancaster, Ontario.

Like with the Banana Lake sampling, the distribution of assay intervals within the various rock type units heavily favoured conglomerate (307) samples versus quartzite (51 samples) and argillite (2 sample). The high concentration of samples in the conglomerate unit (85% of total) coincides with uranium mineralization in the quartz pebble conglomerate of the Matinenda Formation.

### **Geological Modelling Procedures**

A single inclined section was defined for the Teasdale Zone which closely paralleled the dip of the mineralized zone. The inclined plane strikes approximately 103 degrees to the east, and dips gently about -16 degrees to the south.

### **Geological Interpretation**

The mineralized zones used for the resource are defined by the volume between the upper surface of the highest reef and the basal contact of the lowest reef, according to Appia's designations. These are as follows:

- Q-07-01 239.63 m to 248.70 m
- Q-07-02 548.06 m to 551.80 m
- Q-07-03 486.38 m to 493.80 m
- Q-08-04 349.05 m to 351.60 m
- Q-08-05 292.69 m to 303.06 m
- Q-08-06 326.44 m to 333.31 m

### **Topographic Surface Creation**

A topographic surface or triangulated irregular network ("TIN") was generated using collar elevations of the holes drilled from surface for the entire Teasdale Zone. This was not seen as being crucial for this stage of the Mineral Resource estimate, as the zones would likely be mined by underground methods.

### **Statistical Analysis, Compositing, Capping And Specific Gravity**

#### Statistical Analysis and Compositing

The original assay intervals varied in length, requiring normalization to a consistent length in order to carry out the Mineral Resource grade interpolation. A set of equal length 1-metre composites was generated from the raw sample intervals. A total of 43 composites were generated of which all but two (in quartzite) fall within conglomerates. The statistics of the composites inside the defined mineralized zones for TREE and U<sub>3</sub>O<sub>8</sub>, which were used for the Mineral Resource estimate, are summarized in the table below. For its analysis, WGM examined the zones as a whole.

Basic Statistics of the One Metre Composites

Zone	Number	Mean TREE (%)	Mean U3O8 (lbs/ton)	C.O.V.* (TREE)	C.O.V.* (U <sub>3</sub> O <sub>8</sub> )
Teasdale	43	0.174	0.627	0.54	0.60

\*Co-efficient of Variation

#### Cut-Off Grade and Grade Capping

WGM did not use a cut-off grade in its estimate as the value-matrix of the U and REE contents would be quite complex to model. WGM's review of the REE data indicated that the grades were sufficiently robust and continuous to support mining the entire reef section as a single minable zone as was the practice in the past. The variability between individual REEs also favoured a focus on TREE content rather than individual metals. Hence the use of geological constraints rather than a specific cut-off grade. One major consideration in determining a cut-

off grade would be whether or not the ore from this deposit could be processed in a central milling facility that would accommodate neighbouring mining operations in the Elliot Lake camp. This would significantly reduce capital and operating costs. It is clear that a Preliminary Assessment of the Teasdale Zone is needed to explore mining and processing options.

While the resources have been constrained for the resource estimate solely by geological marker horizons (boundaries), the hanging wall and footwall contacts of the mineralized zone include assays greater than or equal to 0.05% TREE. Much of this low grade material will likely be considered internal dilution for bulk underground mining (e.g. room and pillar). These parameters were chosen based on a preliminary review of the parameters that would likely determine the economic viability of an underground mining operation and comparison to similar projects in the area that are currently being mined or are at an advanced stage of study / development.

Due to the low composite sample population, there is insufficient data to support the use of high-grade capping at the Teasdale Zone. Grade capping, also sometimes referred to as top cutting, assay grades is commonly used in the Mineral Resource estimation process to limit the effect (risk) associated with extremely high assay values since high-grade outliers can contribute excessively to the total metal content of the deposit. Philosophies or approaches to establishing and using a grade cap is variable across the industry and includes, for example, not using grade caps at all, arbitrarily setting all assay grades greater than a certain value to a high grade "limit", choosing the grade cap value to correspond to the 95 percentile in a cumulative distribution, evaluation of Mean Grades + multiple levels of Standard Deviations and the evaluation of the shape and values of histograms and/or probability plots to identify an outlier population. Another rule of thumb is to set the capping level to lower the top 10% of the metal content in the deposit. WGM recommends that further geostatistical investigation be conducted as new drilling data becomes available, however, there is no historical basis for high-grade capping given the laterally continuous nature of the mineralization. Also, the low C.O.V. for both TREE and  $U_3O_8$  1-metre composites would suggest that top-capping is unnecessary. Typically, capping is only warranted if the C.O.V. is above 1.0.

The statistical distribution of TREE shows relatively good lognormal distributions, whereas  $U_3O_8$  appears to exhibit a more bi-modal distribution.

#### Density / Specific Gravity

A specific gravity factor of 2.85 tonnes per cubic metre ( $3.14 \text{ tons/m}^3$ ) was used for volume conversion based on 14 samples tested by Appia at the Actlabs laboratory. WGM has accepted this SG as an approximation as it compares favourably with those from similar deposits in the Elliot Lake area.

WGM recommends that the SG results, like all assays, should also be stored in an assay database table for ease of use and comparison purposes.

### **Polygonal Model Parameters, Grade Interpolation and Classification of Mineral Resources**

#### General

The Mineral Resources have been estimated using the Polygonal method whereby a circular area of influence is assigned to each drill hole composite, from which a volume can be calculated using the true thickness of the composite interval.

#### Polygonal Model Set-Up and Parameters

The polygonal model was created using the GEMS v.6.2.4 software package to create two sets of polygons around each drill hole composite. The first set of polygons were generated based on a 140 m radius of influence and the second set on 280 m. The area of the polygon was determined by the area of influence deemed appropriate for the individual drill hole based on drilling density. The thickness of the polygons, and thus volume, was determined by the hanging wall and footwall contact of the composite.

Polygon data including area, volume, density, tonnage, grade and hole-id, was stored in a multi-tabled workspace in GEMS.

#### Grade Interpolation / Bed Composites

Variograms were generated in an attempt to characterize the spatial continuity of the mineralization in the defined zones, however, due to the lack of data, meaningful variograms could not be computed. The geology and geometry is fairly well understood, so the area of influence and orientation of the polygons were based on this geological knowledge, as opposed to variograms.

Thus, grades were assigned to the polygons based on a single length-weighted average bed composite.

#### Mineral Resource Classification

To categorize the Mineral Resources, WGM classified each of the smaller polygons (140 m radius) as Indicated, and the larger sets of polygons (280 m radius) as Inferred. Also, smaller polygons which did not intersect adjoining smaller ones, were automatically downgraded to the Inferred category due to insufficient drilling density, thus eliminating the less than ideal “bull’s eye” effect.

All drill holes were included in the resource estimates; none failed to exceed the minimum vertical thickness of 2.44 m for the mineralized zone which is the historical minimum used when the Elliot Lake mines were in production. WGM recommends that subsequent studies on the Property include preliminary underground mining studies to determine the appropriateness of the 2.44 metre minimum vertical height restriction in light of recent developments in the design of mining equipment. Such studies should also consider the potential for losses in mining recovery due to mineralized rock left in situ as supporting pillars.

The Mineral Resource estimates contained herein do not account for mineability, selectivity, mining loss and dilution.

### ***Banana Lake Zone***

#### **Introduction**

WGM has prepared a NI 43-101 compliant Mineral Resource estimate for the Banana Lake deposit. The Mineral Resource estimate is based on a total of seven (7) diamond drill holes, the results of which are summarized in the table below and described in greater detail in this section. The estimate was prepared from a block model using a 0.6 lb U<sub>3</sub>O<sub>8</sub>/ton cut-off grade based on a uranium price of US\$65/lb and a C\$:US\$ exchange rate of 1:0.9, and a minimum vertical thickness of 5 m to accommodate larger mining equipment at this depth. The challenge for Appia is to demonstrate that sufficient tonnage exists to justify mine development. It is clear that a Preliminary Assessment is needed to estimate the resource (tonnes and grade) threshold that the deposit should clear to be economically viable, as well as exploring mining and processing options. One consideration in determining such inputs as a cut-off grade would be whether or not the ore from this deposit could be processed in a central milling facility that would accommodate neighbouring mining operations in the Elliot Lake camp. This would significantly reduce capital and operating costs and allow for a lower cut-off.

Banana Lake Zone Mineral Resource Estimate  
(using 0.6 lb U<sub>3</sub>O<sub>8</sub>/t cut-off)

Category	Tons (‘000)	S.G. (tons/m <sup>3</sup> )	lb U <sub>3</sub> O <sub>8</sub> /t	Total lbs U <sub>3</sub> O <sub>8</sub> (‘000)
Inferred Resources	30,315	3.14	0.912	27,638

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate

of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m<sup>3</sup> (or 3.14 tons/m<sup>3</sup>) was used.
6. All tonnage and total lbs U<sub>3</sub>O<sub>8</sub> amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding

### **General Mineral Resource Estimation Procedures**

The Mineral Resource estimate procedures consisted of:

- Database compilation and verification;
- Statistical analysis and assay compositing; and
- Generation of a geological and block model using a geostatistical approach applying the Inverse Distance Squared (“ID<sup>2</sup>”) method.

### **Database**

#### General

The data used to generate the Mineral Resource estimates originated from Microsoft Excel files containing key data such as drill hole collar, survey, assay, and lithological information. The drill hole database consisted of 7 collar locations in the UTM co-ordinate system (of which 5 are wedges off of newer and/or historical holes) covering approximately 41 hectares, geological descriptions, and 974 assay intervals of various lengths measuring lbs U<sub>3</sub>O<sub>8</sub>/ton, Au (ppm) and Th (ppm). Lithological cross-sections of each of the drill holes were supplied in PDF format, as well as original digital assay certificates as supplied by Actlabs of Ancaster, Ontario.

#### Data Validation

Following receipt of the Appia data, WGM performed the following validation steps specifically checking for:

- location and elevation discrepancies by comparing collar coordinates with the available cross-sections;
- minimum and maximum values for each quality value field and confirming/modifying those outside of expected ranges;
- comparison of assay values in database to those indicated on original digital assay certificates;
- inconsistency in lithological unit terminology and/or gaps in the lithological code; and,
- gaps, overlaps and out of sequence intervals for both assays and lithology tables.

The database was determined to be in good order, and no errors were identified that would have a significant impact on the Mineral Resource estimate.

#### Database Management

The drill hole data were stored in a Gemcom GEMS<sup>®</sup> software multi-tabled workspace specifically designed to manage collar and interval data. Other data, such as surface contours, were stored in 3-D wireframe (or TIN) workspaces. The project database also stored the block model data such that all data pertaining to the project are stored within the same project database. A copy of the GEMS project data is stored on WGM’s file servers in Toronto.

## **Geological Modelling Procedures**

In general, the modelling procedures were as follows:

- database manipulation and assay compositing;
- 3-D surface and solid (TIN) wireframe creation;
- statistical analyses;
- block grade estimation; and,
- classification and reporting of Mineral Resources.

## **Statistical Analysis and Assay Compositing**

### General

In order to carry out geostatistical analysis of the assay database for the Mineral Resource block modelling, a set of equal length sample composites of 1-metre length was generated throughout the entire length of each drill hole intersection. Sample lengths were irregular and determined by geological factors. Sampling continued contiguously through and just beyond the mineralized zone to the Archean basement.

### Compositing By Cut-Off Grade

The vertical extents of the mineralized zone were identified in each of the drill holes by compositing each drill hole based on single cut-off grade (or “optimal value” as it is defined in GEMS). The optimal value compositing method considers several parameters including: the minimum composite length (in this case, 2.44 m); the minimum composite separation (i.e. the minimum distance between adjacent composites along the same drill hole, if any - in this case, this was set to 5 m); and the cut-off grade. For each cut-off grade (from 0.4 to 0.7 in 0.1 lb U<sub>3</sub>O<sub>8</sub>/ton increments without REE credits), a series of larger composites was generated within each drill hole, and stored in a separate table in the database.

### 3D Surface and Grade Shell Generation

The large composite intervals from the previous exercise were used to generate hanging wall and footwall contacts for the mineralized zone at the various cut-off grades. Using a Laplace gridding algorithm, a 3D surface was generated for each contact. Each hanging wall and footwall were then “stitched” to form a 3D solid of the mineralized zone for each cut-off grade, and from which volumes could be derived for the block model interpolation. The resulting wireframes were visually compared to the locations of the predominant rock-type units and were deemed consistent with the geological and mineral structure of the deposit.

### Back-Coding of Composites

The 3-D solids that represented the interpreted mineralized zones were used to back-code a tag field in the drill hole workspace. Each composite interval in the 1 m composite table was assigned a unique “tag” value based on the solid that the interval midpoint fell within.

## **Mineral Resource Block Modelling**

### General Approach

The Mineral Resources were estimated using the Inverse Distance Squared (ID<sup>2</sup>) estimation technique. The “inverse distance” technique belongs to a distance-weighted interpolation class of methods, similar to Kriging, where the grade of a block is interpolated from several composites within a defined distance range of that block. This estimation procedure uses the inverse of the distance between a composite and the block as the weighting factor.

### Back Coding of Rock Type Model

For each cut-off grade, a separate rock type and grade block model was generated. Individual cut-off grade shell wireframes were used to back code a separate rock type model, and subsequent grade interpolation runs were calculated based on these rock codes.

### Block Model Grid Parameters

The Mineral Resources have been estimated in a single grid of regular sized blocks. The block model grid covers the extents of the mineralized zone, which is between 1300 m and 1500 m below surface.

### Grade Interpolation

WGM used examinations of geology and overall drill hole spacing to determine appropriate search ellipse ranges for the selection of Mineral Resource categories. The overall strike and dip direction in the Banana Lake deposit is predominantly flat, thus no rotation of the search ellipse was deemed necessary. Also, because of the wide drill hole spacing, a large search ellipse range was used to establish grade continuity. As such, the results of the block modelling exercise approximate that of a polygonal estimate. A separate grade block model was generated for each cut-off grade.

### Cut-Off Grade and Specific Gravity

Of major consideration in determining the cut-off grade, is the assumption that material from this deposit would be processed in a central milling facility that would accommodate neighbouring mining operations in the Elliot Lake camp. This would significantly reduce capital and operating costs. As a stand-alone mining and milling operation, a significantly higher uranium price would be required than exists as of the date of the Technical Report. Alternatively, a much higher average grade of ore would need to be mined necessitating the use of a higher cut-off grade.

Due to the low composite sample population, there is insufficient data to support the use of high-grade capping at Banana Lake. WGM recommends that further geostatistical investigation be conducted as new drilling data becomes available, however, there is no historical basis for high-grade capping given the laterally continuous nature of the mineralization.

Based on the above assumptions, and on a uranium price of US\$65/lb with a C\$:US\$ exchange rate of 1:0.9, the overall cut-off grade of 0.6 lb U<sub>3</sub>O<sub>8</sub>/ton was selected as a base case, based on a preliminary review of the parameters that would likely determine the economic viability of an underground mining operation at Banana Lake. While no current or historical underground uranium mine has operated at depths comparable to the Banana Lake deposit, the grade and volume of mineralized material identified in this deposit are significant enough to suggest that bulk extraction methods may be feasible, although further investigation is required to support this hypothesis.

The Mineral Resource estimates contained herein do not account for mineability, selectivity, mining loss and dilution.

The specific gravity (“SG”) used by WGM to derive mass from the block volumes was constant at 2.85 tonnes/m<sup>3</sup> (or 3.14 tons/m<sup>3</sup>) as provided by Appia based on tests carried out at Actlabs. WGM has accepted this SG as an approximation as it compares favourably with those from similar deposits in the Elliot Lake area.

### Mineral Resource Classification and Tabulation

WGM classified the Banana Lake Mineral Resource estimate as Inferred Resources. The following table summarizes the sensitivity of the Banana Lake Mineral Resources to cut-off grade in the table below.



A single interpolation pass was used to establish grade and resource categories within each cut-off grade shell. A search ellipse (1,000 m in both the x and y directions, and 100 m in elevation) was used to categorize Inferred Resources. A minimum of five (5) and a maximum of six (6) composite samples were required for interpolation, with no more than five (5) originating from a single drill hole. Samples used for the grade interpolation were derived from a minimum of two drill holes to establish geological continuity.

To verify the block interpolation parameters, composites intervals were visually compared with block grades on both vertical cross sections and plan views. This comparison confirmed the continuity of grade both along strike, and down dip.

Banana Lake Mineral Resources Showing Sensitivity to Cut-Off Grade

Cut-off Grade (lbs U <sub>3</sub> O <sub>8</sub> /ton)	Inferred Resource		
	Tons ('000)*	Grade (lbs U <sub>3</sub> O <sub>8</sub> /ton)	U <sub>3</sub> O <sub>8</sub> ('000 lbs)*
0.40	51,527	0.668	34,424
0.50	42,149	0.823	34,684
<b>0.60</b>	<b>30,315</b>	<b>0.912</b>	<b>27,638</b>
0.70	24,520	0.922	22,602

\* All tonnage and total lbs U<sub>3</sub>O<sub>8</sub> amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding. The reader is directed to the qualifying notes to the table on page 52 for reference purposes.

All resource blocks within a 280 m radius of the drill holes were classified as Inferred (This radius corresponds to the radius of influence applied in WGM's previous resource estimate completed in 2008, and is just under half the distance between the two most closely spaced holes: holes BL-08-04 and BI-08-03).

## Market

Renewed interest in nuclear power, partially due to energy market growth and partially due to concerns over the greenhouse gas emissions of alternative methods of generating base electrical load, has resulted in an escalation of uranium prices and consequently an increase in exploration spending. A range of undeveloped or moth-balled deposits are present in the US, the largest being the Mount Taylor deposit in the Ambrosia Lake district of New Mexico. Developed by Gulf Minerals Resources Co. in the late 1970s, the deposit has never seen full production. As with other metals, exploration expenditures will lag increased commodity prices, but will thereafter tend to track price trends quite closely. Since the mid-1980s, uranium exploration expenditures have been at a virtual standstill except in the Athabasca Basin where a collection of established producers and junior companies have persisted due to the high grade character of the unconformity-type deposits (high reward/risk ratio). Improved exploration techniques and equipment will assist the industry in finding ever more deeply concealed deposits. Explorers are also active in countries which were not open to western companies during the 1970s uranium boom, countries such as Kazakhstan, Mongolia, China and Russia. As mentioned, Australia will be a major focus because of its known potential and the change in uranium politics.

The demand for uranium is also likely to be affected by more widespread use of nuclear-generated energy if small-scale reactors are installed to service remote communities and/or industrial sites. Mitsubishi has been working in co-operation with Japan's Central Research Institute of Electric Power Industry (CRIEPI) and funded by the Japan Atomic Energy Research Institute (JAERI) to develop a 5 MWt, 200 kWe Rapid-L reactor which uses lithium-6 (a liquid neutron poison) as control medium. As conceived, the reactor would be pre-built in a factory and installed on site in a secure underground facility. According to the World Nuclear Organization website, the fuel would be highly enriched (40-50% uranium nitride) and contain 2,700 fuel pins with a 2600°C melting point. The fuel would be packaged into a disposable cartridge or "integrated fuel assembly". The whole plant would be about 6.5 m high and 2 m in diameter, and its operation would require no skill due to the inherent safety design features. The reactivity control system is passive, using lithium expansion modules (LEM), which as the reactor temperature rises, would expand into the core to quench the reaction. Refuelling would take place every 10 years.

Toshiba and CRIEPI are developing the "Super-Safe, Small and Simple" ("4S nuclear battery") system in collaboration with STAR work in the USA. The system uses sodium as the coolant and it also has passive safety

features. It is capable of three decades of continuous operation without refuelling. The fuel consists of uranium-zirconium or U-Pu-Zr alloy in 169 1-centimetre diameter pins that are enriched to less than 20%  $U^{235}$ , still relatively highly enriched compared to conventional fuel for light water reactors. Both 10 MWe and 50 MWe versions of 4S are designed to automatically maintain an outlet coolant temperature of 510°C - suitable for power generation with high temperature electrolytic hydrogen production. Plant cost is projected at US \$2,500/kW, and power costs are estimated at 5-7 cents/kWh for the small unit, a cost that is very competitive with diesel in many locations including Alaska where the design has gained considerable support.

### *Uranium Production Outlook*

A collateral effect of the low uranium prices sustained during the latter 1980s and through the 1990s is the lack of investment in new refining and fuel fabrication infrastructure. The plans announced by major nuclear countries to greatly expand the number of reactors in service will place demands on the fuel fabrication industry that will be challenging. Thus, simply producing more uranium is not sufficient to meet growing reactor demands. Mine production must be matched by a capacity to manufacture more reactor fuel. A great deal of information concerning new infrastructure development is available on the World Information Service on Energy (“WISE”) website found at (<http://www.wise-uranium.org/index.html>). WISE is an information and networking centre for citizens and environmental organizations concerned about nuclear energy, radioactive waste, radiation, and related issues. Despite (or perhaps because of) its anti-nuclear stance, WISE can be a good source of new industry development information.

Cameco Corp., the world’s largest uranium producer, has on several occasions announced plans to increase the production capacity of its Blind River uranium refinery. Some of its refined uranium trioxide ( $UO_3$ ) is sent to the BNFL Springfields plant in the United Kingdom for conversion to uranium hexafluoride. The company reported during 2010 that Springfields Fuels Ltd. converted five million kilograms of uranium into  $UF_6$  through its toll processing agreement with Cameco. During 2005-06, Cameco involved a proposed 33% increase to the annual licensed production capacity of the Blind River Refinery from 18,000 tonnes to 24,000 tonnes uranium as  $UO_3$ . In a move seen to increase its vertical integration in the industry, Cameco announced in early 2006 its acquisition of a 100% interest in Zircatec Precision Industries Inc., a Port Hope, Ontario based manufacturer of nuclear fuel bundles for sale to companies that generate electricity from CANDU reactors. Zircatec is planning to produce a new fuel product containing slightly enriched uranium dioxide (SEU) and blended dysprosium and natural uranium oxides (BDU). The required feed materials (SEU and BDU powders) will be exported to foreign markets. Since those plans were announced earlier, Cameco met its production goals, and in its 2010 annual report, it announced achieving 22.8 Mlbs of  $U_3O_8$  production during the year and confirmed its plans to produce 40 Mlbs of  $U_3O_8$  by 2018.

The US is largely playing catch-up on the construction of new infrastructure. During 2006, the US moved to approve construction and operation of a new gas centrifuge uranium enrichment plant in Lea County, New Mexico to be operated by Louisiana Energy Services. Operations were planned to begin in 2008, with full capacity in 2013. However, the first centrifuge was not installed until September 2009 pointing to the long lead time for permitting nuclear infrastructure. The plans for construction of new infrastructure at the American Centrifuge plant in Piketon, Ohio planned during 2005-06, also ran into delays due to cost over-runs and uncertainties over loan guarantees. The estimated cost increased from \$1.7 billion to \$2.3 billion and the commercial viability of the project is now in doubt. The estimated completion date for the facility, currently in redesign, has been pushed back to 2012. A planned National Fuel Service plant based in Tennessee for down-blending of HEU to slightly enriched uranium as reactor fuel for the Tennessee Valley Authority was delayed for several years due to challenges by environmental groups. During 2006, the US Nuclear Regulatory Commission received an application from Shaw AREVA MOX Services requesting a license for possession and use of by-product and special nuclear materials for the Mixed Oxide Fuel Fabrication Facility to be built on the Savannah River Site in Aiken, South Carolina.

As can be seen, the construction of new nuclear industry infrastructure seldom meets planned timetables. Plans were made in the year 2000 by the Brazilian Government to construct a new 100,000 SWU/year gas centrifuge enrichment facility near Rio de Janeiro. The US\$130 million Resende plant would supply about half the enrichment services needed to provide fuel for the country’s Angra-1 and -2 reactors with enrichment activities beginning in 2003. During construction, the Brazilian government refused to allow IAEA inspectors to examine the facility on the grounds that the Government was protecting proprietary technology. Agreement was finally reached in

November, 2004. On 5 May, 2006, the Minister of Science and Technology inaugurated the first unit of the Resende plant. The completion of the plant was not expected until 2010, at total investment costs of US\$267 million, however limited enrichment was initiated in mid-2009 and as of the date of the Technical Report, Korea, China and France are negotiating supply agreements for enriched uranium with Brazil.

In November, 2005 regulatory approval was being sought from the UK Government by URENCO to enrich recycled uranium at Capenhurst as the company already does at its Almelo Plant in the Netherlands. The potential increase in nuclear power around the world was seen to provide a need for enriched recycled uranium fuel. The application covers the potential to enrich to higher levels than currently licensed in anticipation of new requirements in the civil nuclear power industry as new generations of reactors are developed. In the meantime, British Nuclear Fuels plc ceased uranium hexafluoride (UF<sub>6</sub>) conversion operations at its Springfield facility during March, 2006, and sold its uncommitted UF<sub>6</sub> conversion capacity to Cameco Corp.

URENCO, an independent, global energy and technology group with production from plants in Germany, the Netherlands and the United Kingdom, was interested in building an enrichment plant in Australia. URENCO believed that Australia represented a good base for servicing the growing Asia-Pacific market for nuclear power fuel. The company was interested in assessing the economics of building an enrichment plant using its own centrifuge technology in Australia if it were invited to do so. Contrarily, Areva, the French national nuclear power company, ruled out any interest in investing in uranium enrichment in Australia, as it believed that such facilities were not commercially sound unless Australia was prepared to accept nuclear energy.

Australia's decades-long opposition to domestic uranium fuel manufacturing has been underscored by Silex Systems Ltd.'s decision to license its laser-based uranium enrichment technology to General Electric in the US for fuel fabrication. The agreement includes a provision for the potential construction of a test loop, pilot plant and a full-scale, commercial enrichment facility built at GE's nuclear energy headquarters in Wilmington, North Carolina or another suitable location in the United States, however not in Australia where the technology was developed. Although at this moment, nuclear energy in Australia is being viewed more favourably, the nuclear industry competes with a significant coal lobby seeking to maintain its position as the country's energy choice.

Japan announced in late 2000 a project to construct a mixed uranium and plutonium oxide ("MOX") fabrication plant adjacent to Japan Nuclear Fuel Ltd.'s ("JNFL") Rokkasho-mura reprocessing plant then under construction. Planned to produce 130 tonnes of MOX fuel per year, the plant will cost approximately US\$1.1 billion. The agreement to build the Rokkasho plant was finally approved during April, 2005, nearly 4½ years later. In November, 2006 JNFL announced its existing Rokkasho reprocessing plant had produced its first uranium-plutonium mixed oxides, the first step in producing MOX fuel. The plant expansion plan was slowed by civil actions, and at this time the new facility is not expected to be completed until at least 2010. Its planned use of laser uranium enrichment technology, under development since 2001 (or earlier), will be shelved in preference to an improved centrifuge method. The delays have resulted in the large accumulation of plutonium at Rokkasho adding even more to Japan's already huge plutonium stockpiles, mostly in MOX (9 tons in Japan and 38 tons in Europe which it is obliged to take back – *internet sources*).

In 2006, Russia planned to build a uranium enrichment centre on the premises of the Angarsk Electrolysis Chemical Combine in Irkutsk. The centre was expected to be in operation in 2007, however in late 2008 it still faced strong opposition from Russian and Japanese NGO's and it is uncertain to WGM whether construction had started. Kazakhstan has made a decision to join Russia's initiative to set up an international nuclear-cycle centre under the control of the International Atomic Energy Agency (IAEA) on Russian territory. Japan is especially interested in this as a means of reducing its accumulated plutonium stockpile.

China is forging ahead with new fuel fabrication infrastructure and has announced its plan to use the equipment from the never operated Siemens Hanau MOX fuel production plant for a planned 500,000 SWU MOX fuel plant at Lanzhou<sup>3</sup>. The Government of Germany, which licenses the technology, has made no decision yet on an export license for the equipment. The MOX fuel is to be used in fast breeder reactors. A 65 MW fast breeder

---

<sup>3</sup> This annual capacity is sufficient to fuel 5 typical 1,000 MW light water-cooled reactors, each of which could power a city of about 600,000 population.

research reactor is currently under construction in Fangshan County near Beijing. This sodium-cooled reactor is expected to begin delivering power in 2010 (China, 2009). The plutonium required for the MOX fuel is to be recovered from the spent fuel of China's eight conventional reactors, though a commercial reprocessing plant does not yet exist. Of international concern is the fact that the excess plutonium to be bred such a reactor would be highly weapons grade. Russia has sold two fast breeder BN-800 (880 Mwe) reactors to China with construction to begin in 2011 and commissioning in 2018-2019. Both China and Japan are participating in the design and testing of a new BN-1200 reactor. These fast breeder reactor designs are significant as they have the capacity to produce nearly as much fuel as they consume.

### **REE Fundamentals**

The major uses of the rare metals are summarized in the table below. The recent FOB market price (oxide form) as of March, 2011 is indicated in US Dollars (*source* www.metalmarkets.com except for Ho, Er, Tm and Yb provided by Baotou Research at www.baotou-rareearth.com). These prices reflect an increase of approximately 50% over a 12-month period.

Major Industrial Applications of Rare Earth Metals and Compounds

Element	Symbol	Market Price	Applications
Lanthanum	${}_{57}\text{La}^{139}$	\$93.00/kg	Catalyst used in the cracking of hydrocarbons to produce fuel, fuel cells and batteries, in optical glass to modify the refractive index, NiMH batteries for computers, in phosphors for X-Ray films. Used to reduce radiation dosages in MRI, CAT and sonogram imaging techniques.
Cerium	${}_{58}\text{Ce}^{140}$	\$96.00/kg	Catalytic converters, additive for diesel fuels. Polishing compound for high performance glasses (television screens, mirrors, optical glass, disk drives and silicon microprocessors). Decolouring agent for glass and photographic filters. In high-strength, low alloy steels, used to improve performance in chrome plating baths. Used with Tb in phosphors in tri-colour lamps and compact fluorescent lighting. Used with Zirconium ("Zr") in high-performance insulating ceramics (Space Shuttle).
Praseodymium	${}_{59}\text{Pr}^{141}$	\$138.50/kg	Colouring pigment in ceramic tile/glass. High-quality mirrors. Used with Nd in photographic filters to reduce certain wavelengths of light. Pollution-control catalysts. Used to make electric motors lighter.
Neodymium	${}_{60}\text{Nd}^{144}$	\$150.00/kg	Nd-Fe-B magnets for mobile phones, portable CD players and computers. Nd capacitors in mobile phones. Nd-lasers for surgery and in manufacturing sector. Strong magnets for MRI units. Anti-glare automobile glass and mirrors, CRT glass. Sky-blue colouring pigments in ceramics and glass.
Promethium	${}_{61}\text{Pm}^{145}$	n.a.	Very scarce – no stable isotopes – longest half-life ( $\text{Pr}^{145}$ ) is 17.1 years.
Samarium	${}_{62}\text{Sm}^{150}$	\$91.00/kg	Filter glasses for Nd-lasers. Used to stabilize the high-temperature performance of REE magnets (Sm-Cobalt magnets are the strongest available). Used with titanates as dielectric compounds in capacitors operating at microwave frequencies. Glass and tile pigmentation.
Europium	${}_{63}\text{Eu}^{152}$	\$660.00/kg	A photon emitter used as the red phosphor in television and computer screens. Used in fluorescent lights to reduce electrical consumption. Used as a luminescent tag in living tissue medical research.
Gadolinium	${}_{64}\text{Gd}^{157}$	\$100.50/kg	Magnetic properties make it useful in magneto-optic recording technology – e.g. bubble-memory in super-computers. Enhances imaging in MRI devices. Used in the detection of radiation leaks in nuclear power-plants.

Element	Symbol	Market Price	Applications
Terbium	${}_{65}\text{Tb}^{159}$	\$780.00/kg	Improves energy efficiency in fluorescent lamps. Used in magnetic films used for recording data in magneto-optical applications.
Dysprosium	${}_{66}\text{Dy}^{163}$	\$467/kg	Allows electronic devices to be smaller and faster. Added to ceramics to produce high-capacitance miniaturized capacitors. Added to NdFeB high-strength permanent magnets to improve coercivity.
Holmium	${}_{67}\text{Ho}^{165}$	uncertain	Very scarce and has few practical uses
Erbium	${}_{68}\text{Er}^{167}$	uncertain	Used in amplifiers for optic data transmission. Medical and dental lasers. Only stable pink pigmentation for glass (sunglasses and decorative glass).
Thulium	${}_{69}\text{Tm}^{169}$	uncertain	Rarest of the REEs – similar chemistry to yttrium – can be used in sensitive X-Ray phosphors to reduce the required radiation exposures.
Ytterbium	${}_{70}\text{Yb}^{173}$	uncertain	Similar chemistry to Y – when under high stress, increases its electrical resistance by 10x – and therefore used in stress gauges to monitor seismic ground movements.
Lutetium	${}_{71}\text{Lu}^{175}$	n.a.	One of the least abundant REEs – Ce-doped lutetium oxyorthosilicate (LSO) is used in detectors in positron emission tomography (PET) applications.
Yttrium	${}_{39}\text{Y}^{89}$	\$105.50/kg	Used in oxygen sensors for engines to improve the combustion of fuels. Y-Fe garnets used as resonators in frequency meters, magnetic field measuring devices, tunable transistors and Gunn oscillators, laser crystals. Stabilizer and mould-former for light-weight engine turbine. Stabilizer in rocket nose cones. In ceramics used for melting radioactive metals. Used as nozzles for jet casting molten alloys. Used as a primer for other metallic coatings (e.g. titanium coatings).

The REEs are also used in the defence industry in many applications including precision-guided munitions (smart bombs), rangefinder lasers and target designators, detection devices for underwater mines, communications, aircraft control mechanisms, high-temperature ceramics in jet engines, information displays, radar systems, coatings, optical equipment, sonar applications and in electronic counter measure technologies.

During the early part of the last decade, mineral economists and metals market forecasters predicted growth in REE demand that in reality has fallen short of expectations. WGM believes this is largely due to the impact of the global financial crisis that initially affected the markets during late 2008 (and continues today). As a result, metal demand declined in the west while Chinese growth continued more or less unaffected due to its population and growing economy. India also contributed to increased demand. The market has certainly grown, but clearly not as expected a few short years ago.

On the supply side, the growth in demand has not been balanced by increased supply. WGM believes that this is mostly due to the time required to make discoveries, establish a resource base, design a new mining operation and secure the necessary operating permits to allow the mine to be constructed. More recently, economic uncertainty has somewhat impeded the ability of companies to raise capital for projects.

As a result of the foregoing impacts, REE demand has slowly out-stripped supply and created an imbalance. China, with approximately 95% of global REE production as a result of its aggressive actions against competitors, is now faced with the possibility that it may not be able to satisfy its own fabrication demands. Even less is its ability to meet the foreign demand that it created by driving competitors out of production. During 2010, China reacted by

reducing rare metals exports to Japan, a major manufacturer of products containing REEs, and REE prices reacted accordingly. China will remain confronted with the problem of balancing competing interests for the foreseeable future.

The need for increased REE production has not gone un-noticed by the international mining community. Typically, the junior mining sector was quick to respond to forecasts made a decade ago regarding the current situation. Old projects and more recent discoveries have been revived, and fresh venture financing has been found to support renewed exploration projects. Unfortunately, the financial crisis has negatively impacted several major REE projects that sought financing during the crisis. Even now, investment has been slow in coming to the effect that both the Mount Weld and Nolan's Bore REE mine developments are behind the schedule originally envisioned by the owners. This situation appears to have cleared during mid-2010 for both projects. Lynas Corporation is currently mining and processing Mount Weld ore to create a REE-rich concentrate that is being stockpiled until the company's processing facility in Malaysia is constructed. Arafura Resources has carried out bulk sampling, test concentrate production and pre-leach testing at its Nolan's Bore project. Both projects have caught the interest of foreign REE purchasers, mainly in Japan, and Lynas has substantial off-take agreements already in place for the commencement of REE production in Malaysia.

China's minerals infrastructure that supports the production of rare earth metals is thought to be the world's strongest. Previously, China's position was in the top three, with the other two comprising the United States and Japan. However, in the last decade, China's output has soared, with the major effect of lowering prices and driving its competitors out of the market. In 2007, China was responsible for 96.8% of global rare earth metal production, most of which is from mines located in Inner Mongolia. The Inner Mongolian Baotou Steel Union Co., Ltd. is the largest rare-earth metal manufacturer in China. Even though about 42% of global REE resources and reserves are situated outside of China, its cheap labour and Government subsidies ensured that Chinese companies were well supported in respect to investing in new mines and processing plants during the 1980s. This infrastructure included rare earth metals research and development laboratories that worked to undercut China's rivals. In the early part of the 1990s, China could produce neodymium very inexpensively for the market, resulting in a price drop from \$11.70 per kilogram in 1992 to \$7.40 in 1996. In a relatively short time, the REE market volume increased from 40,000 tonnes per annum (tpa) to 125,000 tpa. For nearly 20 years, China has pursued a policy to make it the "*OPEC of rare earth metals*".

Since 2008, China has restricted its REE exports to ensure that its domestic needs can be satisfied. It was predicted that sometime in 2011 or 2012, Chinese domestic demand is expected to surpass Chinese domestic production, a view that WGM found surprising given the country's vast resources. However, WGM has observed that many Chinese companies are engaged in a global search for mineral deposits. Both state-sponsored Chinese enterprises as well as nominally private companies are seeking foreign REE supplies. China Non-Ferrous Metals Mining Co., Ltd. (CNMC) has offered to take a controlling interest in Australia's Lynas Corporation Ltd., owner of the Mount Weld deposit which potentially has the capacity to account for as much as 25% of world production. The Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co. Ltd., a unit of East China Exploration & Development Bureau, agreed to acquire a 25% stake in Australia's Arafura Resources Ltd., a gold and mineral mining company which has a rare earth and phosphate deposit at Nolan's Bore. A Chinese private investment company, Creat Group, acquired about 20% of emerging Australian mining and chemical company Galaxy Resources Ltd., and China has twice tried to acquire a controlling interest in the US company Molycorp Inc. which owns the now dormant but re-emerging Mountain Pass Mine, arguably the world's richest neodymium mine outside China. The takeovers have failed on both occasions, and since July, 2010 Molycorp shares have been publicly traded. China National Nonferrous Metals, San Huan and Sextant MQI Equity Holdings succeeded in acquiring Magnequench in 1995, a department of General Motors created for the commercialization of a neodymium magnet. In 1997 a merger between Magnequench and the Canadian company AMR founded a new company named Neo Material Technologies, a REE producer that is also active in rare metal recycling with operations in China and production centers in China and Thailand.

According to the Peterson Institute for International Economics ([www.piie.com](http://www.piie.com)), China's rare metal industry could be characterized by what industry observers call "disorderly competition" and "price chaos". Local firms have engaged in a price war leveraged on expanded production. In 2008, China's annual smelting capacity for REE metal production exceeded 200,000 (short) tons, which at the time was more than double global demand. In August, 2009, the Ministry of Industry and Information Technology issued a draft policy recommending an annual export quota of

35,000 tons, improvement in mining and environmental practices and a potential ban on exporting five REEs seen to be in short supply and essential to China. The goal seems to have been to consolidate the domestic industry and stabilize prices while trying to attract investment in downstream applications and fabrication.

This “disorderly” competition from Chinese producers was the principle reason for the closing of the Mountain Pass Mine in California at which time overproduction killed the market and drove out higher cost producers. A very different market exists at this time, especially since 2007, with China reducing its REE exports and potentially restricting the export of some metals entirely. China has apparently pursued this policy for two reasons; firstly to assure itself of a supply of metals vital to its defense industries and manufacturing sectors, and secondly to pressure western manufacturers to establish production facilities in China. The 22 September 2010 embargo of REE exports to Japan in retaliation for Japan seizing a Chinese trawler has caused ripple effects through the industry since Japan was totally reliant on Chinese sources for metals used in the production of REE magnets. Japan’s position as a major supplier of magnets to the West has provoked the US Government to consider a bill to subsidize the revival of its domestic REE industry. Molycorp has been processing stockpiled ore at the Mountain Pass mine site and has produced about 3,000 tons of rare earth oxide products per year since 2008. As such, the company is the only current rare earth miner in North America or Europe. Molycorp is slowly moving its Mountain Pass Mine back into full production. Following the execution of the company’s “mine-to-magnets” strategy and completion of its modernization and expansion efforts at its Mountain Pass processing facility, it expects to be one of the world’s most integrated producers of rare earth products, including oxides, metals, alloys and magnets. Molycorp currently expects to see output increase to 20,000 tons of rare earth products per year by the end of 2012. The total capital outlay for Molycorp is expected to be in excess of US \$500 M.

The United States imports about 87% of its lanthanide metals from China. While potentially having the second largest rare-earth reserves, the US ceased production activities at its largest REE mine, Mountain Pass, ostensibly for reasons relating to resource conservation, but more accurately due to higher costs than competing producers in China. As a result, the US imports substantial quantities of rare earth products (mostly metals and oxides) from China. Some of this is reportedly being stockpiled.

Several other REE mines could be developed in the US, however, none are closer to full mine production than Mountain Pass. The Bokan Mine in Alaska could be brought back into production, however it is likely that delays relating to resource definition and permitting would stall production in the short term. No other deposit is as advanced.

In respect to non-US production, Australia’s Arafura and Lynas Corp. will be able to produce some 30,000 tonnes or more of rare earth metals by the middle of this decade (2015-2016). Various forecasters have predicted that this production will not be sufficient to meet surging world demand. Certainly Lynas has moved to lock much of its production into off-take agreements, and so may have little spare capacity to satisfy additional requirements.

Several potential producers are advancing projects towards mining. One is Avalon Rare Metals Inc., a Canadian company with its 100%-owned Nechalacho Project at Thor Lake in the Northwest Territories. This deposit, known for more than 20 years, is emerging as a major undeveloped REE resource. The company has advanced the project with the view that it is enriched in heavy rare earth elements (“HREEs”), however in order of declining abundance the major metals are Ce, Nd, La, Y, Pr and Sm. Yttrium is the only HREE metal that is present in concentrations above 0.1%. Nevertheless, the deposit is sizeable at 197 Mt averaging 1.24% LREE<sub>TOTAL</sub> and 0.22% HREE<sub>TOTAL</sub>. The company is well funded, has no debt and its work programs are essentially unaffected by market volatility. Its plan, assessed through a recent scoping study by SNC-Lavalin, is to construct a separation plant with an intended production capacity of 25,000 tonnes per annum. This plant capacity is intended to handle the presently contemplated production of 10,000 t/a from Nechalacho, any future Avalon production increases, and process material from other potential future producers, especially those producing chemical precipitates rich in the heavy rare earths.

An effort similar to that of Molycorp sees Rare Earth Extraction Co. moving the past-producing Steenkampskraal Mine back towards production in South Africa with a target date a few years in the future. Australia is certainly on the cusp of ramping up production even while the Mount Weld Mine is stockpiling ore on site and Lynas is completing the construction of its 30,000 t REE/year concentrator, having completed the task of securing markets for its REE output. At the same time Arafura Resources is working towards 10,000 t REE/year production from

Nolan's Bore deposit. With this backdrop, it is difficult to see any production from new Canadian mines in the near future.

Japan, a major fabricator of REE-bearing goods, imports more than 10,000 tons of rare earth metals per year, while about a fifth of the country's total annual consumption is believed to enter the country through a thriving black import network, without which Japan would already be in a severe supply crisis. China has been lowering its export quotas for rare earth metals substantially since 2008, with Japan allotted only 38,000 tonnes in 2009. During 2011, only 30,246 tonnes are allowed for export. Toyota and Honda alone will consume about that quantity and experts in Australia have predicted a wider global supply crunch within three years as demand surges beyond existing refinery and extraction capacity. In view of the importance of rare earth metals to its economy, the Japanese Government has initiated a search for alternative supply sources in Vietnam, Kazakhstan and elsewhere. However, Japan is being forced to compete against very aggressive moves by Chinese companies which are attempting to negotiate deals to finance prospective miners that are experiencing financing difficulties in Australia (Lynas), and in the US (Molycorp). The Japanese government supports a less aggressive policy and a more supportive role that is less take-over oriented. Japan's official development assistance (ODA) strategy calls for increased support for mining development in foreign countries, infrastructure development in the surrounding areas, active cooperation for technology transfer and protection of the environment.

The nature of the potential crisis over shortages in rare earth metals is more acutely voiced in Japan which is a major producer of the REE magnets used in everything from high-performance electric motors to jewelry. In an article dated 21 September 2009 in the Japan Investor entitled "The Coming Rare Earth Metals Crunch", the writers have pointed out that the world demand for rare earth metals used in cell phones, hybrid cars, wind turbines and many electronic applications is currently over 110,000 short tons per year, and projected by the US Geological Survey to grow some 71% to 188,000 tons by 2012. While this forecast appears to have been overstated, the situation with key rare earth metals is particularly acute: (1) neodymium, the key component of an alloy used to make the high-power, lightweight magnets for electric motors of hybrid cars as well as in generators for wind turbines; (2) terbium and dysprosium are added in smaller amounts to the alloy to preserve neodymium's magnetic properties at high temperatures; (3) terbium, the key ingredient in low-wattage light bulbs that use 40% less electricity per unit of output; (4) cerium and lanthanum, used in catalytic converters for diesel engines; and, (5) europium, used in lasers. The consumption of rare earth metals is expected to grow as current usages grow and new uses are found. Each Toyota electric Prius motor requires 1 kilogram (2.2 lb) of neodymium, and each battery uses 10 to 15 kg (22-33 lb) of lanthanum. That number will nearly double under Toyota's current plans to boost the car's fuel economy.

Japanese companies that are actively seeking REE projects worldwide include the following:

- |                     |  |
|---------------------|--|
| Sumitomo Corp.      | plans to produce rare-earth metals in Kazakhstan through a joint venture established with state-owned nuclear power company Kazatomprom by the end of this year. Using Kazatomprom's facilities, rare earths will be removed from uranium ore left over after uranium has been extracted. While the agreement between the two corporations was expected long ago and annual output was expected to reach 3,000 metric tons in 2010, (slightly less than 10% of Japan's current total imports), an agreement was not signed until September, 2011. At start-up, the output is expected to be about half that previously expected. |
| Toyota Tsusho Corp. | plans to spend a total of 40 billion yen on natural resources development, mainly for rare earths, over the next five years. It intends to start extracting the metals from tin ore in Indonesia, and it is also considering developing mines in such countries as Mongolia. By expanding its rare-earth business, the firm hopes to secure stable supplies for Japanese carmakers like Toyota Motor Corp.   |
| Marubeni Corp.      | will start recycling rare earths through a subsidiary. It hopes to develop efficient recycling technologies in preparation for four or five years down the road, when more hybrid cars will be scrapped  |
| Mitsubishi Corp.    | has entered a partnership with Neo Material Technologies of Canada to recover by-products such as dysprosium and terbium from the Pitinga tin mine in Brazil. The  |



two companies may form a joint venture and will acquire rights to purchase at least 20% of the mine's output.

Mitsui & Co.

plans to import a large volume of the rare metal from Canada. The move comes on the heels of the firm's investments in nickel and cobalt - other rare metals essential for manufacturing lithium-ion batteries. Mitsui has obtained exclusive sales rights to lithium produced at a mine that Canada Lithium Corp. owns in the Canadian province of Quebec. After shipping samples to potential customers, Mitsui plans to start importing around 2,000 metric tons of lithium a year from the mine in 2013 for sale to Japanese and South Korean manufacturers of lithium-ion batteries.

## **Interpretation and Conclusions**

### *Geology*

The Elliot Lake uranium-REE deposits are paleoplacers within which the economic minerals are typically deposited in conglomerates at the base of a sedimentary cycle. The host rocks are contained within the Quirke Lake Syncline, a major east-west trending fold structure located north of the town of Elliot Lake. The deposits are stratabound, commonly occurring in stacked sheet-like bodies of quartz-pebble conglomerate. Mineralization is mostly disseminated along bedding planes and the highest grades are associated with higher concentrations of pyrite and well packed quartz pebbles. The weight of evidence suggests a sedimentary origin for the mineralization. The district wide presence of brannerite ( $UTi_2O_6$ ), the main economic mineral, and U-bearing phosphates such as monazite ( $[Ce,La,Nd,U,Th]PO_4$ ), xenotime ( $Y-UPO_4$ ) and other rare earth minerals relates quite well to the weathering of a U-Th-REE enriched (granitic) source. Pyrite and to a much lesser extent, pyrrhotite, are the main minerals associated with uranium, occurring as overgrowths on detrital pyrite grains and on uraninite grains altering to coffinite.

It is very unlikely that any new surface exploration program will add measurably to the geological understanding of the Property notwithstanding the possibility that additional structure might be discovered that, in turn, might affect the uranium-bearing horizons at depth.

### *Exploration and Mineral Resources*

No recent exploration had been completed in the Property prior to 2006. The last major historical exploration programs consisted of deep drilling by Kerr McGee from sites along the axis of the Quirke Lake Syncline. The average hole length was approximately 1,500 metres (5,000 feet). The drilling succeeded in testing the uranium-bearing Matinenda Formation at points scattered across the basin at a kilometre-scale spacing (or more). Low-grade intersections, averaging generally less than 1.5 lbs  $U_3O_8$  per ton, were encountered – these are in keeping with the general tenor of the deeper mineralization that was mined during the later stages of Elliot Lake's mining history. Most intersections contained a few narrow higher grading sections, commonly exceeding 3-4 lbs  $U_3O_8$  per ton.

Recently, Appia has completed an airborne magnetic and MegaTEM electromagnetic survey which has outlined the Quirke Lake Syncline (basin) and shown the presence of various structures and dikes within the basin. IP surveying was completed on the Property in Buckles Township by Quincy Energy Corp. (now Energy Metals Corp.), but this failed to provide useful targets for drilling despite the recommendations of the geophysicist who interpreted the data.

WGM was recently very successful in its first attempts during 2007 at relocating Kerr McGee drill holes. These holes were drilled vertically from the Gowganda Formation through the base of the Matinenda Formation. The BW-sized casings examined by WGM were rusty but otherwise well preserved. WGM concluded from this that the precise location of all of the Kerr McGee holes should be established and the locations accurately measured using a GPS with a multiple-count, position averaging capability to reduce the estimated position error. Appia has since carried out this surveying and relocated all of the key drill sites where economically interesting uranium mineralization was encountered.

In 2007, WGM recommended that the Kerr McGee drill holes be used as a means of re-drilling the Banana Lake Zone in the deep basin through wedging multiple holes from the main vertical hole. Wedging off-hole at a distance

of 300 m above the Matinenda Formation could produce a second intersection 30-35 metres away from the initial pierce point. By using multiple wedged holes in this way, the variability of mineralization can be tested and the resource potential assessed at a significantly lower cost than redrilling from surface. Appia subsequently used this approach, successfully wedging off of two historical holes as well as two new holes of its own drilled during 2008. Appia's 2007-08 winter drilling program in the Banana Lake Zone confirmed the historical results and its follow-up during the latter half of 2008 extended the area within which NI 43-101 compliant Mineral Resources exist.

In the Teasdale Zone, Appia's drilling during the winter 2007-08 exploration program confirmed historical intersections which were concentrated in an area west of Teasdale Lake, with holes ranging from less than 300 m to nearly 600 m in length. Former Rio Algom Chief Geologist Doug Sprague's historical resource estimate based on this drilling was audited by WGM and confirmed as a valid expression of the amount of uranium in the Teasdale Zone. Appia's drilling enlarged the area previously known to contain uranium resources and provided the basis for a NI 43-101 compliant Mineral Resources estimate. Using a cut-off grade of 0.60 lbs U<sub>3</sub>O<sub>8</sub>/ton, WGM's prior estimate showed that the Teasdale deposit (being that part of the Teasdale Zone which contains economically interesting uranium-rare earth metal mineralization and herein referred to as the "Teasdale Deposit") contained an Indicated Mineral Resource of 17.4 million tons (15.8 Mt) with an average grade of 1.10 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.55 kg U<sub>3</sub>O<sub>8</sub>/t) and an Inferred Mineral Resource of 48 million tons (43.5 Mt) at the same grade. The Banana Lake Inferred Resources were estimated by Kurt Breede, who is also the co-author of the Technical Report. The two older estimates are summarized in the table below.

NI 43-101 Compliant Uranium Mineral Resources on the Appia Property  
(using 0.6 lb U<sub>3</sub>O<sub>8</sub>/t cut-off)

Zone	Classification	Tons	S.G. (tons/m <sup>3</sup> )	Average Grade (lb U <sub>3</sub> O <sub>8</sub> /ton)	Contained Uranium (lb U <sub>3</sub> O <sub>8</sub> )
Banana Lake	Inferred Resources	30,315,000	3.14	0.912	27,638,000
Teasdale Lake	Indicated Resources	17,400,000	3.14	1.10	19,000,000 *
	Inferred Resources	48,000,000	3.14	1.10	52,700,000 *

\* All tonnage and total lbs U<sub>3</sub>O<sub>8</sub> amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m<sup>3</sup> (or 3.14 tons/m<sup>3</sup>) was used.
6. Indicated amounts may not precisely sum due to rounding.

The resources defined in the Banana Lake Zone have an average grade that is approximately 20% higher than the historical estimate of 0.76 lbs U<sub>3</sub>O<sub>8</sub> per ton. The tonnage represented in the total resources in the Teasdale Zone represent a 3.4 fold increase over the historical resources with only a small reduction in average grade: 1.1 lbs U<sub>3</sub>O<sub>8</sub>/ton from 1.21 lbs/ton – a 9% reduction. Clearly, these results are seen as positive and supportive of additional exploration. These resources potentially represent a stable long-term supply source for an energy utility.

WGM's 2008 estimate of the uranium resource in the Teasdale Zone has been up-dated with a combined uranium-rare metal resource estimate. However, this latest estimate is based solely on Appia's recent exploration drilling as the historical holes lack REE data. As a result, the U-REE estimate summarized in the table below takes in a resource area (volume) that is considerably smaller than that used for the 2008 uranium-only resource estimate. The reduction in contained uranium in the uranium-REE resources does not imply that the additional mineralization does not exist, but rather that it cannot be included in the volume under consideration due to the lack of matching REE

assays. Of particular importance from this latest estimate is the fact that the REE and U-bearing zone is much thicker (7.22 m) than the zone that can be mined if uranium alone is considered (approximately 2.44 m).

Summary of Teasdale Zone Rare Earth Metal and Uranium Resource Estimate

Resource Category	Tonnes ('000)	Tons ('000)	Average Grade		Average Thickness (m)	Contained TREE ('000 lbs)	Contained Uranium ('000 lbs U <sub>3</sub> O <sub>8</sub> )
			TREE (%)	U <sub>3</sub> O <sub>8</sub> (lb/ton)			
Indicated	3,366	3,710	0.146	0.506	9.76	10,852	1,878
Inferred	21,217	23,388	0.181	0.615	7.22	85,895	14,379

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m<sup>3</sup> (or 3.14 tons/m<sup>3</sup>) was used.
6. Indicated amounts may not precisely sum due to rounding.

The average grades for the most abundant REEs are: Lanthanum 0.045%; Cerium 0.080%; and Neodymium 0.026%. The next most abundant REE is Yttrium at 0.007% and Gadolinium at 0.003%.

It is important to note that the foregoing resource estimate does not invalidate the previous (2008) uranium-only resource estimate. When taken together in proper context, the two estimates shed considerable light on the economic potential of the Teasdale Zone that has not been considered until now. The close relationship between REE and uranium mineralization has been known for some time even if not well documented in the available literature.

WGM believes that the close association between the uranium and rare earth metals supports suppositions regarding the areas of the Teasdale Zone defined by historical drilling but untested by Appia. If the U-REE resource is extrapolated in a linear sense to cover the entirety of the Teasdale Zone as previously estimated by WGM, then the total REE resources would be expected to increase substantially given that the total contained uranium outlined to date is approximately 19 Milbs (Indicated) and 53 Milbs (Inferred). If the REE:U ratio is sustained throughout the deposit, then the Teasdale Zone as outlined by historical and current drilling should contain approximately 424 Milbs of total REEs<sup>4</sup> at an average grade of approximately 3 lbs/ton, most of which will be La (\$93/kg), Ce (\$96/kg) and Nd (\$150/kg) with significant amounts of Y (105.50/kg), Gd (\$100.50/kg) and Pr (\$138.50/kg). As shown in the table on pages 59-60, these current prices enable the REEs to add considerable value (>\$100/ton) to Teasdale mineralization over and above the value of the uranium. As the Teasdale Deposit is not currently well constrained by drill hole data, and is open laterally in all directions, the expected TREE content should be greater yet.

The aforementioned uranium-REE resources offer a different and arguably more representative approach to the resources of the Teasdale Deposit, however REE data is available for only a small part of this zone. For reasons of full disclosure and comparison as well as clarity, the 2008 resource estimate text is presented in the Appendices to the Technical Report.

<sup>4</sup> Equivalent to the total contained uranium oxide in the 2008 WGM uranium-only resources estimate for the entire Teasdale Zone divided by the uranium oxide contained in the current resource estimate based solely on the recent Appia drilling and then multiplied by the current TREE content.

### *Uranium Commodity Outlook*

The increase in uranium prices seen during 2006 and 2007 was dramatic, yet in constant dollar terms, the price remained below its previous highs set during the 1977-1979 period. In looking towards the future, it can be demonstrated that uranium supply will be responsive to commodity price signals, both when prices are weakening and when they are rising. Uranium prices respond in much the same manner to the supply/demand cycles as other metals as well as the oil and gas (energy) market. Historically, there has been a strong tendency for uranium prices to overshoot the point of equilibrium, both in rising and in falling markets. WGM believes that the low-point in uranium prices seen during early to mid-2009 is typical of prices that have fallen unjustifiably low due to the current economic crisis. Relatively strong markets developed historically in the 1960s and 1970s due to strategic military stockpiling programs by governments, and by reactor construction by energy utilities. Weak markets have been distorted by governments artificially supporting producers through price support programs and, in the case of the United States, by closing its domestic markets to foreign suppliers. At this time, and for the foreseeable future, WGM anticipates a more open, market-oriented price than has been the case in the past.

For a variety of reasons, the uranium industry has been highly politicized. The accumulation of huge uranium inventories during the 1960s, 70s and 80s caused uranium prices to fall through the cost floor, and these resources were consumed at far below the cost of replacement. Additional sources of uranium fuel from highly enriched uranium (weapons grade or HEU), principally from Russia, has also put downward pressure on prices. The exhaustion of the uranium stockpile, the declining tendency for the Russians to convert HEU to fuel grade uranium, and sharply increased or planned increases to reactor construction has awakened a sleeping mining and mineral investment community to the looming shortage in reactor fuel. The sharp upward movement in uranium prices seen in 2006-07 resulted in some new sources of uranium being advanced towards production and planned increases in output at mines such as Olympic Dam.

Current reactor demands are being met, more or less, by existing sources of supply and through long term contracts. The key question is whether future demands from new reactors can be satisfied through the development of known deposits in countries such as Australia and through new discoveries, some of which are in Canada? Key resources in countries such as Mongolia have been tied up as a result of political wrangling, and governments being unduly influenced by competing foreign interests. In the current economic climate, there is a great amount of uncertainty as western utility companies and governments postpone nuclear programs for budgetary reasons. The Fukushima disaster had cast a cloud over the entire nuclear industry, however China and India are forging ahead with their own reactor construction plans. In Canada, the province of Ontario has announced the awarding of contracts for the construction of two new CANDU reactors at the Darlington nuclear power station. Based on the outcome of Sweden's stated 1979 goal of becoming nuclear-free by 2010, and its domestic reliance on even more reactors now than it had then, WGM is highly doubtful that Germany and Japan will actually follow through with statements indicating a desire to become nuclear-free. Neither country has alternative means of replacing the base load generating capacity represented by its nuclear plants. Germany would become even more dependent on nuclear reactors located in France. Japanese industry would become dependent on electricity generated by new oil or gas fired generators, hardly a "green" alternative.

WGM believes that future uranium prices will be significantly higher than those that exist at the moment. In the complete absence of an accumulating international uranium stockpile, and with the participation of hedge funds in the market, spot market pricing is likely to be more volatile in the future than in the past. The inversion of the spot (discount) price and the term price is a good indicator of a robust short term market. The term price is expected to be largely unaffected by the hedge funds because the contracted volumes under term agreements are generally much larger than those in "play" on the spot market. The term market therefore tends to be the best indicator of actual supply-demand dynamics.

As with many mineral commodities, demand from China has the potential to tip the balance between surplus and deficit. China is currently expanding its nuclear capacity with 11 nuclear reactors in operation, 17 recently passing their safety approval and 13 under construction. With a planned capacity of 70 GW by 2020, China's requirements for nuclear fuel will demand that approximately 12,000 tonnes of natural uranium be processed into fuel assemblies each year (China, 2009). Having an annual production capacity of less than 1,000 tonnes of uranium at this time, satisfying less than half of China's current needs, the country's imports from foreign sources is expected to soar.

Without substantial new discoveries within the country, its import requirements will be significant. Based on reactors constructed and in construction, this demand will be in excess of 25 M lbs per year.

Extreme differences exist between today's uranium market and the conditions that prevailed during the uranium boom that occurred during the 1970s. The usefulness of making comparisons is limited. One can only conclude that uranium prices in today's market should exceed those which existed at a time when a substantial uranium stockpile was accumulating. The energy sector in general has been pushed to new highs on the back of uncertainties concerning oil and gas supply shortages much as it was during the 1970s. To some extent, uranium prices have benefited accordingly. The negative environmental consequences of greater coal reliance are better understood now than in the 1970s, and this makes a convincing case for greater reliance on nuclear power generation. This fact is not lost on the Australian environmental movement which has until now been staunchly anti-nuclear. While WGM has analysed many of the factors influencing the historical and current uranium markets, a detailed market study is required to better understand the future trends in demand and supply especially since Australia is emerging from a long period of production limitations and the production from countries such as Kazakhstan is growing quickly.

### ***Regulatory and Other Considerations***

Insofar as WGM has determined through its limited discussions with government representatives in Sault Ste. Marie, there are no impediments in the mining and environmental statutes that would constitute fatal flaws to the Appia project. There are no land withdrawals in the Property area that would negatively impact Appia's exploration plans. However, prior to taking on any exploration activity associated with the previous mines, further discussions are certainly required with the umbrella organization responsible for the Elliot Lake remediation program and with its constituent members. Extreme care will be required in working around areas that are thought to be "restored", if any yet exist.

The sustained effort to restore the Elliot Lake watershed to its original condition has been costly and this will be a particularly sensitive subject insofar as local communities are concerned. Appia will be able to point to the great success achieved to date which should offset concerns. In its discussions with local mining engineer, Bob MacGregor, who has been active with Pele Mountain Resources, WGM understands that the residents of Elliot Lake and its Chamber of Commerce are intensely interested in the new jobs and tax revenue that renewed mining would bring to the town. Appia should follow up with town officials in establishing its own presence and credibility.

## **Recommendations**

### ***Mineral Economics***

The international market for rare earth metals has increased markedly as, at the same time, traditional sources have contracted. WGM recommends that Appia carry out an initial study of the amounts of REE metals present in the Elliot Lake tailings as part of a long-term strategy. The reprocessing of such tailing has the potential to provide early cash flow to a new mining project.

The supply and demand fundamentals of the uranium market are dynamic but subject to easily quantified measurements since reactor demand can be forecast based on power generating capacity. Like new uranium mines, reactors also require considerable time for planning and construction and this allows surpluses and deficits in uranium markets to be forecast with a high degree of certainty relative to other mineral commodities. Nevertheless, uranium deposits are becoming increasingly difficult to find, and the permitting of such deposits is requiring longer and longer lead times. If past experience is a measure, uranium fuel fabricating infrastructure is likely to lag mine output. Over the longer term, key factors will be substantially increased demand due to new reactor builds balanced against increasing production from Australia and Kazakhstan, and new production coming from countries such as Mongolia that had little or no output in the past. As a medium term goal, Appia should undertake a detailed review of the uranium industry to ensure it understands the market as it is foreseen to develop in the next two decades.

The recent findings of the World Nuclear Association, which meets every two years (most recently in September 2009), should be taken as a guide to overall plans, however in this period of great economic turmoil, the forecasts of most experts contain a wide area of uncertainty between high market and low market scenarios. WGM is uncertain

whether the current findings are useful in this economic climate, and so Appia's economic study should be completed no sooner than 2012.

It is without doubt that the Elliot Lake deposits offer the potential for a stable, long term supply of uranium oxide and rare earth metals. WGM believes that the world will not indefinitely ignore the presence of more than 200 million pounds of readily extractable uranium remaining in the Elliot Lake deposits, and many times that in pounds of rare earth metals.

### *Exploration and Engineering Studies*

WGM tenders the following recommendations which have been numbered for convenience.

- 1) An attempt should be made through Natural Resources Canada (NRCan) archives and other sources including library records (microfiche and digital records) to assemble a complete production and exploration history for the Elliot Lake camp. This should include purchasing copies of all published books, reports and other information on the history of Elliot Lake.
- 2) Potential uranium and rare metals resources in the Teasdale Lake area should be explored by diamond drilling as follows:
  - a. re-entering historical holes and placing by-pass wedges approximately 5 m above the uppermost uranium reef to provide the opportunity for a second cut through the mineralization to allow new core for analysis to provide the REE data missing from the historical assay records and to allow for confirmatory uranium analyses;
  - b. new holes drilled from surface to provide in-fill intersections to the existing drilling pattern thereby increasing the confidence level of the Mineral Resources and converting Inferred Resources to Indicated Resources; and
  - c. new cuts through mineralization by wedging off existing deeper drill holes in a similar manner to that used by Appia for the Banana Lake Zone.

A provisional drilling program recommended for the Teasdale Zone is presented in the Technical Report. Individual drill sites are not prioritized within this selection of recommended drill sites.

- 3) The uranium and REE Mineral Resources of the Teasdale Zone should be up-dated after the recommended drilling is completed.
- 4) Additional work needs to be done to precisely determine the locations for new drill sites to test and enlarge the Banana Lake Mineral Resources. This drilling should be staged in accordance with the plan represented in the table below as follows with the location of drill sites adjusted according to the results achieved. The Banana Lake drilling is considered to be a second priority task at this time as the drilling to date has essentially confirmed the viability of the historical estimate made by Rio Algom. There is clear potential for defining nearly 200 Milbs in this zone.

Summary of Proposed Drill Hole Locations in the Banana Lake Zone

Drill Site	Approximate Location	Length ( m )	Justification
First Priority Drill Holes			
A	1,200 m east of KM150-5 (Appia BL 07-01) site	1,600	Tests favourable area between first Appia drill hole and Kerr McGee hole KM150-2
B	600 m NNW of KM156-5	1,600	Tests favourable area north of Appia hole drilled using the KM156-5 casing and pilot hole.
Second Priority Drill Holes			
C	1,100 m WNW of KM156-5	1,600	Tests favourable area northwest of current mineral resources area.

Drill Site	Approximate Location	Length (m)	Justification
D	1,400 m NNW of KM156-5	1,600	Tests favourable area northwest of current mineral resources area.
E	900 m west of KM156-5	1,600	Tests favourable area west of current mineral resources area.
F	600 m SE of KM150-2	1,600	Tests favourable area southeast of Kerr McGee hole KM150-2 which intersected 0.68 lbs U <sub>3</sub> O <sub>8</sub> per ton over 3.4 m (11 ft)
Third Priority Drill Holes			
G	600 m NE of KM156-1	1,600	Tests area northeast of Kerr McGee drill hole KM 156-1 which intersected 1.76 lbs U <sub>3</sub> O <sub>8</sub> per ton over 0.6 m (2 ft).
H	450 m south of KM150-4	1,600	Tests area between south of Kerr McGee drill hole KM 150-4 which intersected low values and the area of current mineral resources.

- 5) Where practical, the redrilling of the existing Kerr McGee holes and wedging from such holes is justified as a means of quickly and cost-effectively building a uranium resource base in some areas of the Property. Wedging off-hole at a distance of 300-400 m above the Matinenda Formation should produce additional intersections at least 30 metres away from the initial pierce point. By using multiple wedged holes in this way, the variability of mineralization can be tested and the resource potential assessed at a significantly lower cost than redrilling from surface.
- 6) All core from new drill holes must be logged and analysed for U and REEs in accordance with established industry practices. At this time, provided that core recovery is 95% or better, WGM does not see a significant advantage in down-hole radiometric (spectrometer) logging over the use of a hand-held spectrometer, however down-hole surveying should be used if core recoveries are less than optimal. All drill core samples should be analysed for uranium using a solvent (acid) extraction process rather than by neutron activation analysis (which measures total contained uranium rather than leachable uranium). All samples should be analysed for the rare earth elements using a conventional technique and for trace elements using an ICP-based multi-element technique.
- 7) On completion of the Teasdale mineral resource estimate, a Preliminary Assessment (“PA”) should be completed on the Teasdale Deposit, part of which should be an assessment of access options including the feasibility of dewatering the existing Panel Mine workings. The PA should also evaluate the feasibility of dewatering the existing mine workings under the Property for the purpose of in-situ acid leaching of ore developed through the taking down of existing underground pillars and flooding the workings with leachate. This option is not as capital intensive as conventional mining and avoids the issues connected with tailings disposal, however achieving an acceptable recovery in an satisfactory leach time will be dependent on attaining optimum sizing of the broken ore – this would likely be the most critical factor.
- 8) The WGM NI 43-101 compliant resource estimates should be up-dated periodically as new drill hole results become available especially, as noted in the foregoing, for the Teasdale Deposit.
- 9) A dialogue should be initiated with Pele Mountain Resources to explore the feasibility of constructing a central milling and processing facility for Elliot Lake ores as a means of improving the economic viability of individual projects. All discussions would necessarily be contingent on the discovery of a resource base of sufficient size and grade to justify a production decision.
- 10) A dialogue should be initiated with government authorities to determine how best Appia can carry forward its exploration on certain of its claims that now have restricted access due to on-going impact mitigation work, and are thus subject to restrictions on surface activities.

### Program Budget

WGM has identified a staged exploration program that, over time, minimizes risk by building slowly from the established facts concerning the historical work. WGM proposes a budget of C \$14,600,000 for a multi-year

exploration drilling project according to the following budget. Additional costs totalling \$670,000 for data acquisition, public forums, supporting surveys and studies are detailed in the table below. We believe that this exploration is justified based on the positive results of Appia's initial exploration programs. The drilling is divided between 15,405 m on the Teasdale Zone and 17,600 m on the Banana Lake Zone. In carrying out this work, drilling on the Teasdale Zone offers Appia the greatest potential for adding value to the project in the form of NI 43-101 compliant uranium and rare metal Mineral Resources.

The proposed exploration work will substantially exceed Appia's needs insofar as exploration assessment requirements are concerned. All costs are in Canadian dollars. To place this budget in context, it represents an investment of less than 10 cents (Canadian \$0.10) per pound of historical uranium oxide resources on the Appia exploration property if the previous estimates of Rio Algom and others can be shown to be correct. It represents an investment of 16 cents per pound (Canadian \$0.16) of uranium oxide resources currently outlined to NI 43-101 standards on the Appia Property.

The Banana Lake drilling, comprising 8 deep drill holes and 8 wedged holes, is proposed to test the northerly, westerly and southeasterly extensions of mineralization originally discovered by Kerr McGee and recently confirmed by Appia. For planning purposes, three phases of drilling are proposed for budgetary and cash flow reasons. This program should be executed in a flexible manner that is responsive to actual results. Drill hole locations do not significantly influence hole depth, but certainly may influence overall results in respect to uranium contents. Careful attention to the geology of the uranium-bearing zones (reefs) is required. In some areas, the hole locations may allow for slightly shallower uranium intersections as the zone is traced to the north and away from the centre of the basin, but drill site elevation (above sea level) will probably have a greater impact on hole length. A budget is also provided for wedging off the new holes to allow Appia to develop additional cuts through mineralization using the original hole as a pilot. These wedged holes can be used to demonstrate grade and thickness continuity.

Appia Budget for Diamond Drilling and Associated Work, 2011-12

Item	Description	Amount	Unit Cost	Unit Totals	Total	
<b>Exploration Drilling</b>						
<b>Teasdale Zone</b>	Phase 1	12 diamond drill holes on Teasdale Zone including re-entering historical holes to up-grade resources and collect new REE data	4,000 m	\$250	\$ 1,000,000	
		Helicopter Support for drilling	on 4,000 m		310,000	
		Project Management and Geological *	on 4,000 m	approx \$60/m	240,000	
		Assaying	1,828	\$50	91,400	
		Room & Board *	on 4,000 m	approx \$10/m	40,000	
		Consumables & Miscellaneous Costs *	on 4,000 m	Approx \$5/m	20,000	
		Contingency on Subtotal	~5% of costs above (\$1,701,400)		<u>66,350</u>	
		<b>Sub-Total for Phase 1 Drilling</b>			<b>\$ 1,767,750</b>	
	Phase 2	15 in-fill diamond drill holes on Teasdale Zone to up-grade resources	6,000	\$250	\$ 1,500,000	
		Helicopter Support for drilling	on 6,000 m		470,000	
		Building ice platforms for drill sites		\$10,000	120,000	
		Project Management and Geological *	2,856	approx \$60/m	360,000	
		Assaying	2,742	\$50	137,100	
		Room & Board *	on 6,000 m	approx \$10/m	60,000	
		Consumables & Miscellaneous Costs *	on 6,000 m	approx \$5/m	30,000	
	Contingency on Subtotal	~5% of costs above (\$2,677,100)		<u>135,000</u>		
	<b>Sub-Total for Phase 2 Drilling</b>			<b>\$ 2,802,100</b>		
Phase 3	12 in-fill diamond drill holes on Teasdale Zone to up-grade resources	5,405 m	\$250	\$ 1,351,250		
	Helicopter Support for drilling	on 5,405 m		420,000		
	Project Management and Geological *	on 5,405 m	approx \$60/m	324,300		
	Assaying	2,470	\$50	123,500		
	Room & Board *	on 5,405 m	approx \$10/m	54,100		
	Consumables & Miscellaneous Costs *	on 5,405 m	approx \$5/m	27,000		
	Contingency on Subtotal	~5% of costs above (\$2,300,150)		<u>130,000</u>		
	<b>Sub-Total for Phase 3 Drilling</b>			<b>\$ 2,430,150</b>		
		<b>Total for Teasdale Zone Drilling</b>			<b>\$ 7,000,000</b>	
<b>Banana Lake Zone</b>	Phase 1	2 diamond drill holes to test SE & NW extensions of Zone	3,200 m	\$300	\$ 960,000	
		2 wedges (including rig and crew time)	2	\$20,000	40,000	
		2 wedged holes from initial pilot holes	1,200 m	\$500	600,000	
		Project Management and Geological	4,400 m	\$30	132,000	



Item	Description	Amount	Unit Cost	Unit Totals	Total
	Assaying Samples	500	\$32	16,000	
	Room & Board	4,400	\$10	44,000	
	Consumables & Miscellaneous Costs	4,400	\$5	22,000	
	Contingency on Subtotal	5% of costs above (\$1,836,000)		<u>86,000</u>	
	<b>Subtotal for Phase 1 Drilling</b>			<b>\$1,900,000.</b>	
				<b>00</b>	
Phase 2	4 diamond drill holes to test NW & SE extensions of Zone	6,400 m	\$300	1,920,000	
	4 wedges (including rig and crew time)	4	\$20,000	80,000	
	4 wedged holes from initial pilot holes	2,400 m	\$500	1,200,000	
	Project Management and Geological	8,800 m	\$30	264,000	
	Assaying Samples	1,000	\$32	32,000	
	Room & Board	8,800 m	\$10	88,000	
	Consumables & Miscellaneous Costs	8,800	\$5	44,000	
	Contingency on Subtotal	5% of costs above (\$3,672,000)		<u>172,000</u>	
	<b>Subtotal for Phase 2 Drilling</b>			<b>\$ 3,800,000</b>	
Phase 3	2 diamond drill holes in Marsh Lake area to test NW extension of Zone	3,200 m	\$300	960,000	
	2 wedges (including rig and crew time)	2	\$20,000	40,000	
	2 wedged holes from initial pilot holes	1,200 m	\$500	600,000	
	Project Management and Geological	4,400 m	\$30	132,000	
	Assaying Samples	500	\$32	16,000	
	Room & Board	4,400	\$10	44,000	
	Consumables & Miscellaneous Costs	4,400	\$5	22,000	
	Contingency on Subtotal	5% of costs above (\$1,836,000)		<u>94,000</u>	
	<b>Subtotal for Phase 3 Drilling</b>			<b>\$ 1,900,000</b>	
	<b>Total for Banana Lake Zone Drilling</b>				<b>\$ 7,600,000</b>
	<b>GRAND TOTAL FOR TEASDALE LAKE AND BANANA LAKE ZONES</b>				<b>\$ 14,600,000</b>

\* All support costs are factored on a per metre basis

#### Appia Budget for Supporting Work and Studies, 2011-12

Item	Description	Unit Cost
Mineral Economics Study	Review of uranium market, reactor construction plans, supply-demand criteria & delivery schedules.	\$60,000
Public Dialogue	Proactive dialogue and consensus building with Elliot Lake and First Nations community leaders	\$60,000
Drill Hole Surveying	Additional locating and surveying of historical holes; Construction of GIS	\$60,000
Data Acquisition	Search for complete historical information through library/university archives & private sources.	\$30,000
Final Report	Block model up-dated resource estimate; Final report with Scoping Study.	\$100,000
Preliminary Assessment Study	Economic evaluation of the Teasdale Deposit and mining/processing options.	<u>\$250,000</u>
	<b>Sub-Total</b>	\$560,000
Contingency on Subtotal	20% of costs above (\$560,000)	<u>\$110,000</u>
	<b>Total of Incidentals for Project Support</b>	<b>\$670,000</b>

In respect to drilling the Teasdale Zone, WGM has previously recommended that Appia's exploration program be staged so that, over time, risk can be minimized by building slowly from the established facts concerning the historical work. A program of 31 vertical diamond drill holes is proposed on approximate 200 m spacings to enable better delineation of the inferred uranium resources and up-grading of these resources to the indicated category. Twelve of the proposed holes are located on Quirke Lake, requiring the building of ice platforms as soon as the winter ice thickens to the point where it will support a work crew. A budget of \$120,000 was provided for the labour involved in flooding the ice. The locations of certain holes may be amended or eliminated as the drilling progresses, however, the overall amount of drilling should not vary significantly from that proposed herein. With further on-site evaluations of proposed drill hole locations, it may be possible to replace some of the off-shore drill holes with obliquely angled holes from the shoreline. Although such drill holes would be longer than they might otherwise be if drilling from the optimum location, this approach would reduce the need for winter drilling and the costs associated with ice-platform construction.

On-going exploration should be directed at developing a separate budget for confirmation of uranium resources in other mineralized zones such as the Canuc Zone and in the Gemico Zones. In WGM's view, an initial budget for 2,000 to 3,000 m of drilling costing approximately \$750,000 to \$1.5 million would be appropriate for such purposes. Future drilling on Gemico Block 3 will require approval from the federal Nuclear Safety Commission to allow Denison to grant Appia the right to drill. As the area of interest is located near a major road, and is not in an area of tailings or other former mine infrastructure, WGM foresees no reason why such approval would be denied.

Project objectives must also be re-examined periodically in the context of uranium commodity markets. In this respect, we believe that the project should be actively managed, and that a strong overall project manager with considerable exploration experience will be required to control the various elements of this project. It will require a dedicated team at the management level to ensure that local circumstances, for example public pressure, does not derail project operations. The project is ambitious and it requires favourable uranium market conditions, but it is prefaced on what WGM believes is an excellent opportunity to revitalize an area that has been long overlooked. If the outcome of the initial drilling in the Banana Lake area is positive, programs of in-fill and continuing step-out drilling will be required to up-grade the confidence level of the resources and to enlarge the resources.

### **NON-OFFERING PROSPECTUS**

This Prospectus is being filed with the securities regulatory authorities in the provinces of Alberta, British Columbia, Saskatchewan and Ontario to enable the Corporation to become a reporting issuer pursuant to applicable securities legislation in the Qualifying Jurisdictions, notwithstanding that no sale of its securities is contemplated herein. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses in connection with the preparation and filing of this Prospectus will be paid by the Corporation from its working capital.

### **USE OF AVAILABLE FUNDS**

As at September 25, 2012, the Corporation had working capital of approximately \$2,116,000, of which \$617,500 are flow-through funds which must be expended on qualifying expenditures leaving unallocated cash of approximately \$1,109,500. The Corporation's funds were raised pursuant to various private placement offerings. The Corporation may carry out a subsequent financing following the Corporation becoming a reporting issuer but there can be no assurance that such a financing will be completed.

<b>Use of Available Funds</b>	<b>Amount</b>
Costs of Prospectus	\$ 65,000
Continuation of current work program	\$ 617,500
Operating Expenses and working capital for twelve (12) months	\$ 324,000
Unallocated working capital	\$1,109,500
<b>TOTAL</b>	<b>\$2,116,000</b>

The following table sets out a breakdown of estimated administrative costs of the Corporation for the next twelve (12) months following the Receipt Date:

<b>Description</b>	<b>Amount</b>
Accounting Fees	\$ 40,000
Registrar and Transfer Agent Fees	\$ 6,000
Management Fees	\$ 96,000
Geological Consulting Fees	\$ 100,000
Legal Fees	\$ 30,000
Regulatory Filing Fees	\$ 4,000
Shareholder Communication	\$ 10,000
Office Expenses	\$ 15,000
Travel and Accommodation	\$ 12,000
Other	\$ 11,000
<b>TOTAL</b>	<b>\$ 324,000</b>

### **Principal Purposes**

The Corporation intends to spend the total available funds as stated in this Prospectus. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary.

### **Business Objectives and Milestones**

The principal business carried on and intended to be carried on by the Corporation is the acquisition, exploration and development of mineral resource properties. The Corporation currently is the owner of a 100% interest in the Property and the holder of the interests in the Saskatchewan Properties. The Corporation will use its available funds to complete the current exploration program on the Property and for general working capital. The Corporation has commenced the Phase 1 Program on the Teasdale Zone (see heading "The Property") and completed 17 drill holes in late August, 2012. The core samples have been sent to Actlabs for assaying and results are pending. This drill program cost approximately \$1.1 million and the total cost of the exploration program is anticipated to be approximately \$1.8 million. The Corporation's objective is to complete a Preliminary Economic Assessment on the Teasdale Zone. The Corporation does not anticipate proceeding with further exploration of the Property in accordance with the budget set out in the Technical Report without completing a further equity financing.

### **DIVIDENDS OR DISTRIBUTIONS**

There are no restrictions in the Corporation's articles or by-laws or pursuant to any agreement or understanding which could prevent the Corporation from paying dividends or distributions. Neither the Corporation nor its predecessors have declared or paid any dividends on any class of securities. The Corporation currently intends to retain future earnings, if any, to fund the development and growth of its business and does not intend to pay any cash dividends on its Common Shares for the foreseeable future. Any decision to pay dividends on the Common Shares in the future will be made by the Board of Directors on the basis of earnings, financial requirements and other conditions existing at the time.

### **SELECTED FINANCIAL INFORMATION**

The following tables set forth selected financial information for the Corporation for the nine months ending June 30, 2012 and the years ending September 30, 2011, 2010 and 2009. The following summary of selected financial information is derived from and should be read in conjunction with and is qualified in its entirety by reference to the Corporation's financial statements, including the notes thereto, and Management's Discussion and Analysis of Financial Conditions and Results of Operations included elsewhere in this Prospectus.

Readers should note that the audited numbers in the tables below for the years ended September 30, 2009, 2010 and 2011 have been reported under Canadian GAAP, while the unaudited numbers as of June 30, 2012 have been reported under IFRS.

### Statement of Operations Data

	Nine months ended June 30, 2012 (Unaudited) (\$)	Year ended September 30, 2011 (Audited) (\$)	Year ended September 30, 2010 (Audited) (\$)	Year ended September 30, 2009 (Audited) (\$)
Revenues	Nil	Nil	Nil	Nil
Net Income (Loss) from Operations	(932,044)	(1,098,682)	(116,724)	(82,771)
Net Income (Loss)	(1,061,323)	(1,060,157)	(116,724)	(16,971)
Basic and Diluted Income (Loss) Per Share	(0.03)	(0.03)	(0.00)	(0.00)

### Balance Sheet Data

	Nine months ended June 30, 2012 (Unaudited) (\$)	Year ended September 30, 2011 (Audited) (\$)	Year ended September 30, 2010 (Audited) (\$)	Year ended September 30, 2009 (Audited) (\$)
Total Assets	7,529,730	7,608,016	4,256,491	4,312,586
Total Liabilities	1,122,981	675,837	618,054	557,425
Shareholder Equity	6,406,749	6,932,179	3,638,437	3,755,161

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

The following management's discussion and analysis ("MD&A") of the results of operations should be read in conjunction with the unaudited condensed interim financial statements and the accompanying notes for the nine months ended June 30, 2012 and the audited financial statements and the accompanying notes for the years ended September 30, 2011 and 2010 contained elsewhere in this Prospectus. Readers should note that the numbers derived from the audited financial statements for the years ended September 30, 2011 and 2010 have been reported under Canadian GAAP, while the numbers derived from the unaudited condensed interim financial statements for the nine months ended June 30, 2012 have been reported under IFRS.

The Corporation does not anticipate material capital expenditures in the foreseeable future. At the budgeted rate of expenditure, the current funds available to the Corporation are expected to be sufficient for a period in excess of three and one-half years.

#### *Results of Operations*

##### *Nine Months Ended June 30, 2012*

Total operating expenses were \$156,560 for the three months to June 30, 2012 (\$139,432 for the three months ended June 30, 2011). The major contributions to the year-over-year change are the increases in legal and professional fees and in non-cash share based payments.

Interest income was \$11,085 for the three months ended June 30, 2012 (\$13,284 for the three month period ended June 30, 2011).

Total operating expenses were \$965,124 for the nine months to June 30, 2012 (\$792,733 for the nine months ended June 30, 2011). The major contribution to the year-over-year change are the increases in legal and professional fees and in non-cash share based payments.

Interest income was \$33,080 for the nine months ended June 30, 2012 (\$17,041 for the nine month period ended June 30, 2011). The increase is primarily due to an increased cash position over the period in 2012 as compared to 2011.

The Company's net loss and comprehensive loss for the three and nine months ended June 30, 2012 was \$276,213 and \$1,061,327 or a \$0.01 and \$0.03 loss per share respectively (\$119,414 and \$757,388 or a \$0.00 and \$0.02 loss per share respectively for the three and nine months ended June 30, 2011).

##### *Year Ended September 30, 2011*

Total operating expenses for the year ended September 30, 2011 were \$1,123,191 compared to \$122,762 in 2010. The major contribution to the year-over-year increase compared to the comparable period was the increase in stock based compensation - \$1,000,827 (2010 - \$Nil).

Interest income was \$24,509 for the year, compared to \$6,038 for 2010. The increase is due to increased cash balances held during the year.

The Corporation's net loss before income tax was \$1,098,682 compared with \$116,724 in 2010. The loss in 2011 included increased stock based compensation expenses.

#### *Capital Resources and Liquidity*

##### *Nine Months Ended June 30, 2012*

At June 30, 2012, the Company had working capital of \$3,033,644 compared to \$3,372,265 as at September 30, 2011. As the Company has no operating revenue, it continues to be funded with equity-based private placements. At June 30, 2012, the Company had obligations to spend \$1,717,856 in eligible flow-through expenditures on or before December 31, 2012. The Corporation's exploration of its properties, which includes drilling and other evaluation programs, is dependent on raising sufficient capital resources. The Corporation's fixed monthly costs are approximately \$15,000 per month; it has enough financial resources to continue operation through to at least the end of the next fiscal year. The funds generated from flow-through financings enable the Corporation to pursue its planned exploration activities. Additional funding will be required to maintain ongoing operations and to fully pursue the exploration and development of its properties. The Corporation's ability to meet its obligations and continue as a going concern continues to be dependent on the ability to identify and complete future financings. While the Corporation has been successful in raising financings to date, there can be no assurance that it will be able to do so in the future.

*Year Ended September 30, 2011*

At September 30, 2011, the Corporation had working capital of \$3,372,265 compared to \$418,289 as at September 30, 2010. In the year ended September 30, 2011, the Corporation raised approximately \$1,477,500 from private placements to fund general operations and raised \$2,078,750 in flow-through financing to fund Canadian Exploration Expenditures (“CEE”). The Corporation’s exploration of its properties, which includes drilling and other evaluation programs, is dependent on raising sufficient capital resources.

*Common Share Data*

	Number #	Amount \$
Balance, September 30, 2010 and 2009	39,016,525	4,834,343
Flow-through Common Shares issued, net	1,385,833	1,779,232
Common Shares issued	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Share issue costs	-	(183,737)
Balance, September 30, 2011	41,584,358	7,796,776
Flow-through Common Shares issued, net	9,000	11,250
Common Shares issued November 15, 2011	20,720	25,900
Common Shares issued December 30, 2011	2,000	2,500
Less: Value associated with warrants issued	-	(1,303)
Share issue costs	-	-
Balance, June 30, 2012	41,616,078	7,835,123

For particulars on the Corporation’s prior share issuances, please see the headings “Description of the Business – Share Issuances” and “Prior Sales”.

*Selected Quarterly Information (all quarters reported under IFRS)*

2011/2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sept 30, 2011
	\$	\$	\$	\$
Net (loss) and comprehensive (loss)	(276,213)	(605,361)	(179,747)	(278,305)
Net loss per share – basic and diluted	(0.01)	(0.01)	(0.00)	(0.01)
Total assets	7,529,730	7,545,874	7,627,152	7,608,016
2010/2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010
	\$	\$	\$	\$
Net profit/(loss) and comprehensive profit/(loss)	(119,415)	(609,793)	(28,180)	(15,098)
Net loss per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)
Total assets	7,622,843	7,668,851	4,559,197	4,256,491

*Related Party Transactions**Nine Months Ended June 30, 2012*

During the three months ended June 30, 2012, the Company incurred related party expenses of \$27,000 (for the three months ended June 30, 2011 – \$18,000) and \$67,000 for the nine months ended June 30, 2012 (for the nine months ended June 30, 2011 - \$54,000). These expenses related to management fees paid to Tom Drivas, Chief Executive Officer, Michael D’Amico, Chief Financial Officer, and office administration services paid to a company

where Tom Drivas is a director and officer, of which \$283,306 (2011 - \$225,000) is due and payable as at June 30, 2012 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

Compensation of key management personnel for the three and nine months ending June 30, 2012 and 2011 is summarized as follows:

	For the three months ended Jun 30, 2012 \$	For the three months ended Jun 30, 2011 \$	For the nine months ended Jun 30, 2012 \$	For the nine months ended Jun 30, 2011 \$
Compensation and directors' fees	24,000	15,000	58,000	45,000
Share-based payments	100,976	96,234	745,328	673,635

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the three months ended June 30, 2012 and 2011.

During the three months ended June 30, 2012, the Company incurred expenses of \$6,660 (for the three months ended June 30, 2011- \$3,240) and \$90,709 for the nine months ended June 30, 2012 (for the nine months ended June 30, 2011 - \$33,344) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At June 30, 2012, \$7,581 was due and payable to this related party.

As disclosed in Note 5(a) of the unaudited condensed interim financial statements, the Corporation's major exploration property was acquired from CEC, a company controlled by Tom Drivas, President, CEO and a Director of the Corporation.

These amounts were expensed in the period incurred as administrative and general expenses. Expenses and amounts paid and owing are measured at the exchange amount.

#### *Year Ended September 30, 2011*

During the year ended September 30, 2011, the Corporation incurred related party expenses of \$72,000 (2010-\$72,000). These expenses related to management fees paid to Tom Drivas and office administration services paid to a company where Tom Drivas is a director and officer, of which \$238,306 (2010-\$180,000) is due and payable as at September 30, 2011 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

The law firm related to William R. Johnstone, who is also an officer and Director of the Corporation, charged legal fees in the amount of \$47,882 (2010-\$13,854) of which \$20,573 is included under professional fees and \$27,309 is included in share issue costs. Included in accounts payable is \$7,376 (2010-\$0) owing to the firm of this individual. As disclosed in Note 4(a) to the September 30, 2011 audited financial statements, the Corporation's major exploration property was acquired from CEC, a company controlled by Tom Drivas, President, CEO and a Director of the Corporation.

#### *Carrying value of mining and exploration properties*

The Corporation regularly reviews the carrying value of its properties for impairment to determine whether the carrying amount of these assets will be recoverable from future cash flows. Assumptions underlying the cash flow estimates include the forecasted prices for uranium and rare earth elements, production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that as at December 31, 2011 and June 30, 2012, there is no impairment of carrying value on its Ontario and Saskatchewan properties.

### *Future changes in accounting policy*

#### *Business combinations*

CICA Section 1582 – “Business Combinations”, which replaces CICA Section 1581 – “Business Combinations”, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3 – “Business Combinations”. This standard is effective for the Corporation’s business combinations with acquisition dates on or after January 1, 2011. The adoption of these standards did not result in a material impact on the Corporation’s financial statements.

#### *Consolidated financial statements and non-controlling Interests*

CICA section 1601 – “Consolidated Financial Statements” (“Section 1601”) and Section 1602 – “Non-controlling Interests” (“Section 1602”) replaces CICA Handbook Section 1600 – “Consolidated Financial Statements”. Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are effective for the Corporation for financial statements beginning on January 1, 2011. The adoption of these standards did not result in a material impact on the Corporation’s financial statements.

#### *International Financial Reporting Standards*

The Canadian Accounting Standards Board has mandated the adoption of IFRS effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises. Companies will be required to provide IFRS comparative information for the fiscal year immediately preceding the year in which they first adopt IFRS. Accordingly, the Corporation will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended December 31, 2011.

The Corporation has a transition plan that comprises three major phases, including a scope, plan and assessment phase, a design and build phase and an implement and review phase culminating in the reporting of financial information in accordance with IFRS for Q1 2012. During fiscal 2011, the Corporation performed detailed analysis to further assess the areas that will require a change to accounting policies, and those which have accounting policy alternatives available under IFRS.

The International Accounting Standards Board continues to amend and add to current IFRS standards. The Corporation’s conversion process includes monitoring actual and anticipated changes to IFRS standards and related rules and regulations and assessing the impacts of these changes on the Corporation and its reporting, including expected dates of when such impacts would be effective.

The Corporation has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated October 1, 2010, the Corporation’s “Transition Date”:

- Share-based payment transactions  
To apply IFRS 2 Share-based Payments only to equity instruments that was issued after November 7, 2002 and had not vested by the Transition Date.
- IAS 27 – Consolidated and separate financial statements  
To apply IAS 27 Consolidated and Separate Financial Statements prospectively, as the Corporation has elected to apply IFRS 3 Business Combinations prospectively.
- Restoration, rehabilitation and environmental obligations  
The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the company has re-measured the provisions at January 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.



- **IFRIC 4 Determining Whether an Arrangement Contains a Lease**

The Corporation has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Corporation has no leases.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Corporation's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

#### *Changes to Accounting Policies*

The Corporation has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on September 30, 2012, the Corporation's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Corporation's statements of cash flows for the three months ended December 31, 2011 and the twelve months ended September 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

a) **Share-based payment transactions**

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including Directors of the Corporation. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Corporation's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

b) **Impairment of (non-financial) Assets**

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Corporation's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

c) **Decommissioning Liabilities (Asset Retirement Obligations)**

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

The conversion to IFRS had no effect on the statement of cash flows for any of the periods on which we are reporting.

#### *Flow-Through Shares*

The Corporation will, from time to time, issue flow-through Common Shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, the Corporation bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Corporation recognizes a deferred tax liability for the amount of tax reduction renounced to the Shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available. Under Canadian GAAP, the Corporation recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and future income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable future tax assets were available.

#### *Off-Balance Sheet Arrangements*

The Corporation does not have any off-balance sheet arrangements.

#### *Financial Instruments and Other Instruments*

The Corporation is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet dates, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Corporation's financial instruments recognized in the balance sheet consist of cash, and cash equivalents, GST receivable and current liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

### **DESCRIPTION OF COMMON SHARES**

The Corporation is authorized to issue an unlimited number of Common Shares. As at September 27, 2012, there were 41,616,078 Common Shares issued and outstanding.

The holders of the Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, to receive notice of meetings of Shareholders of the Corporation, to one vote per share at meetings of the Shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. Holders of Common Shares do not have cumulative voting rights with respect to the election of Directors and, accordingly, holders of a majority of the votes eligible to vote at a meeting of Shareholders may elect all the Directors of the Corporation standing for election. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefore. The rights set out herein are subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. Amendments to the terms of the Common Shares may only be made following approval by at least two-thirds of the holders of Common Shares voting at a duly called meeting of the Shareholders.

### Convertible Securities

The Corporation has implemented a Stock Option Plan. As of the date of this Prospectus, the Corporation has granted 2,200,000 Options exercisable at \$1.25 per share until between February 11, 2016 and February 1, 2017. See "Stock Option Plan".

As of the date hereof there are 15,860 warrants outstanding to acquire Common Shares at prices between \$1.25 and \$1.50 expiring during 2012.

### CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan structure of the Corporation since December 31, 2011.

### STOCK OPTION PLAN

The Corporation has adopted a stock option plan (the "**Stock Option Plan**") that authorizes the Corporation to grant options for the purchase of Common Shares ("**Options**") to any employee, executive officer, Director or consultant of the Corporation and its subsidiaries to whom Options can be granted in reliance on a prospectus and registration exemption under applicable securities laws ("**Eligible Persons**", and each such person holding Options and participating in the Stock Option Plan is hereinafter referred to as an "**Optionee**"). The maximum number of Options that may be issued shall not exceed 10% of the number of Common Shares outstanding from time to time.

Grants of Options made to any single Eligible Person and his, her or its associates (as that term is defined in the *Securities Act* (Ontario)) shall not exceed 5% of the issued and outstanding Common Shares. The maximum number of securities issuable to insiders (as defined in the *Securities Act* (Ontario)) of the Corporation and their associates, at any time, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding securities of the Corporation, the maximum number of securities issued to insiders of the Corporation and their associates, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding securities of the Corporation and, in the case of any one (1) insider and his or her associates, shall not exceed 5% of the issued and outstanding securities.

The Stock Option Plan provides that the terms of the Options granted and the Option prices shall be fixed by the Directors subject to the price and other restrictions imposed by the relevant regulatory authorities, but shall not be less than the market price per Common Share at the time of grant. Options granted under the Stock Option Plan are not transferable or assignable. Options granted under the Stock Option Plan shall be for a term determined by the Directors but in any event must be exercisable for a period not in excess of five years. Options granted under the Stock Option Plan shall vest in such a manner as determined by the Directors and the exercise price must be paid in full upon exercise of the Option. The administration and operation of the Stock Option Plan may be delegated by the Board of Directors to a committee of the Directors.

If an Optionee ceases to be an Eligible Person, due to termination for cause or resignation the Optionee will have a period not in excess of three (3) months from the date the person ceased to be an Eligible Person to exercise Options held to the extent that the Optionee was entitled to exercise the Options at the date of such cessation. In the event of death of the Optionee, Options previously granted are exercisable for a period not in excess of one year next succeeding such death to the extent that the Optionee was entitled to exercise the Option at the date of death. In the event of termination of employment otherwise than for cause by reason of retirement or disability, the Optionee will have a period not in excess of twelve (12) months from the date the person ceased to be an Eligible Person to exercise the Options held to the extent that the Optionee was entitled to exercise the Options at the date of such cessation. The Board of Directors may at any time discontinue the Stock Option Plan. The Board of Directors may amend the terms of the Stock Option Plan in those circumstances permitted by applicable regulatory authorities. Otherwise, amendments to the Stock Option Plan must be approved by Shareholders of the Corporation.

The following table sets out information on the Options that are currently outstanding pursuant to the Stock Option Plan:

<u>Class of Optionee</u>	<u>Number of Common Shares under Option</u>	<u>Exercise price per Common Share</u>	<u>Expiry Date</u>
Executive Officers	400,000	\$1.25	January 23, 2017
Directors who are not Executive Officers	1,800,000	\$1.25	February 11, 2016- February 1, 2017
Employees	Nil	Nil	N/A
Consultants	Nil	Nil	N/A

### PRIOR SALES

The following table sets out all issuances of Common Shares since January 1, 2011:

<u>Date</u>	<u>Number of Common Shares</u>	<u>Issue Price per Common Share</u>	<u>Total Issue Price</u>	<u>Nature of Consideration Received</u>
January 20, 2011	182,000 <sup>(1)</sup>	\$1.25	\$227,500	Cash
February 18, 2011	800,000 <sup>(2)</sup>	\$1.25	\$1,000,000	Cash
February 23, 2011	50,000 <sup>(3)</sup>	\$1.25	\$62,5000	Cash
March 17, 2011	40,000 <sup>(4)</sup>	\$1.25	\$50,000	Cash
March 17, 2011	1,333,333 <sup>(5)</sup>	\$1.50	\$2,000,000	Cash (issued as flow-through shares)
November 15, 2011	20,720 <sup>(6)</sup>	\$1.25	\$25,900	Cash
November 15, 2011	9,000 <sup>(7)</sup>	\$1.50	\$13,500	Cash (issued as flow-through shares)
December 30, 2011	2,000 <sup>(8)</sup>	\$1.25	\$2,500	Cash

Notes:

- (1) Also issued 91,000 warrants to acquire Common Shares which have since expired.
- (2) Also issued 400,000 warrants to acquire Common Shares at \$1.25 which have since expired.
- (3) Also issued 25,000 warrants to acquire Common Shares at \$1.25 which have since expired.
- (4) Also issued 20,000 warrants to acquire Common Shares at \$1.25 which have since expired.
- (5) Also issued 666,666 warrants to acquire Common Shares at \$1.50 which have since expired; and 46,666 compensation units exercisable at \$1.50 which have since expired.
- (6) Also issued 10,360 warrants to acquire Common Shares at \$1.25 until November 15, 2012.
- (7) Also issued 4,500 warrants to acquire Common Shares at \$1.50 until November 15, 2012.
- (8) Also issued 1,000 warrants to acquire Common Shares at \$1.25 until December 30, 2012

### PRINCIPAL SECURITYHOLDERS

To the best of the Corporation's knowledge and based on existing information, as at the date of this Prospectus, there are no persons who own, of record or beneficially, directly or indirectly, or exercise control or direction over more than 10% of the issued and outstanding Common Shares, except as set forth below:

<b>Name, Municipality of Residence</b>	<b>Number of Common Shares</b>	<b>Number of Options and Warrants</b>	<b>Percentage of Common Shares<sup>(1)</sup></b>	<b>Percentage of Common Shares on a Fully Diluted Basis<sup>(2)</sup></b>
Canada Enerco Corp.	33,984,000	Nil	81.66%	77.53%

Notes:

<sup>(1)</sup> Based on 41,616,078 Common Shares outstanding as of the date hereof.

<sup>(2)</sup> Based on 2,200,000 Options outstanding as of the date hereof and 15,860 Common Shares reserved for issuance on the exercise of outstanding warrants as of the date hereof.

### PROMOTERS

Tom Drivas and CEC should be considered the promoters of the Corporation in that Mr. Drivas founded the Corporation, serves as its President and Chief Executive Officer and controls CEC, the largest Shareholder of the Corporation, with 33,984,000 Common Shares. To date, Mr. Drivas is the primary promoter of the Corporation's activities.

### DIRECTORS AND EXECUTIVE OFFICERS OF THE CORPORATION

#### Directors and Executive Officers

The following table sets forth the name, municipality of residence, position or offices held with the Corporation, date appointed, principal occupations during the five preceding years and the number and percentage of voting securities of the Corporation that each of the Directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over, as of the date of this Prospectus:

<b>Name and Municipality of Residence</b>	<b>Position or Office held with the Corporation and Date Appointed</b>	<b>Principal Occupation during the Preceding Five Years</b>	<b>Number of Common Shares Owned/ Controlled</b>
Jack McOuat <sup>(1)</sup> Toronto, Ontario	Chairman of the Board and Director (July 14, 2011)	Initial founders of Watts, Griffis and McOuat Limited (an engineering and geological consulting firm) in 1962 and was with the firm until his retirement in 2004	Nil
Tom Drivas Toronto, Ontario	President, Chief Executive Officer and Director (August 24, 2007)	President of the Corporation, President of Romios Gold Resources Inc., President of Alpha Delta Gas Inc. and President of Income Plus Realty Services Inc.	33,984,000 <sup>(3)</sup>
Michael D'Amico Toronto, Ontario	Chief Financial Officer (January 23, 2012)	Chief Financial Officer of Romios Gold Resources Inc. and independent consultant	500
William R. Johnstone Toronto, Ontario	Director and Corporate Secretary (September 9, 2009)	Lawyer, Partner, Gardiner Roberts LLP	32,000 <sup>(4)</sup>

Name and Municipality of Residence	Position or Office held with the Corporation and Date Appointed	Principal Occupation during the Preceding Five Years	Number of Common Shares Owned/ Controlled
Brian Robertson <sup>(2)</sup> Thunder Bay, Ontario	Director (September 9, 2009)	President & Chief Executive Officer of Source Exploration Corp. since September 2008, Consulting Mining Engineer, President of Victory Nickel Inc. from February 2007 to March 2008 and President of Nuinsco Resources Limited from March 2005 to September 2007	48,500
Thomas Skimming Toronto, Ontario <sup>(1)(2)</sup>	Director (September 9, 2009)	President, Thomas Skimming & Associates Limited	Nil
Nick Bontis <sup>(1)(2)</sup> Ancaster, Ontario	Director, Chairman of the Audit Committee (February 1, 2012)	Associate Professor, Strategic Management, and Director, Undergraduate Programs, DeGroote School of Business, McMaster University; Executive Board, Harvest Portfolios Group; Director, Institute for Intellectual Capital Research Inc.; and Chief Knowledge Officer, Knexa Solutions	Nil

Notes:

- (1) Member of the Compensation Committee.
- (2) Member of the Audit Committee.
- (3) Held by CEC which is controlled by Mr. Drivas.
- (4) Held by Poplar Properties Inc. in which Mr. Johnstone has a 50% interest.

The term of office of the Directors expires annually at the time of the Corporation's annual general meeting. The term of office of the executive officers expires at the discretion of the Board of Directors.

As of the date of this Prospectus, the Directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control over 34,065,000 Common Shares representing 81.86% of the 41,616,078 Common Shares issued and outstanding as of the date hereof.

### Biographies of Management

The following is a brief description of each of the Directors and executive officers of the Corporation, including their names, ages, positions and responsibilities with the Corporation, relevant educational background, principal occupation or employment during the five years preceding the date hereof, experience in the Corporation's industry and the amount of time intended to be devoted to the affairs of the Corporation:

#### *Executive Officers*

##### **Anastasios (Tom) Drivas – Age 60 – President, Chief Executive Officer and Director**

Tom Drivas is a business entrepreneur with numerous years of experience in various industries. With a background in accounting and business development, he has over 30 years experience in property acquisition, development and brokering, and 20 years specifically in the mining sector. Mr. Drivas has consistently assembled the right team for each exciting project. He is the founder, President, CEO and Director and a major shareholder of Romios Gold Resources Inc., an exploration company with major properties in the Golden Triangle area of British Columbia and additional properties in Quebec, Ontario

and Nevada. Mr. Drivas is also President and CEO of Income Plus Realty, a real estate brokerage firm. Mr. Drivas will be devoting approximately 50% of his time to the affairs of the Corporation.

**Michael D'Amico – Age 60 – Chief Financial Officer**

Michael D'Amico holds a B.Com. from McMaster University and is a Chartered Accountant. He is a former Partner at KPMG and has been working as an independent consultant providing Investor Relations services to publicly traded companies in the resource sector. In addition, he is the Chief Financial Officer of Romios Gold Resources Inc., a publicly traded exploration company. It is anticipated that initially he will be spending a minimum of one day per week on the affairs of Appia, and will be responsible for the preparation of the financial statements and other reporting documents, including the Management Discussion and Analysis, and will be responsible for managing the filing of the Corporation's Tax and other returns.

*Directors*

**Jack McOuat – Age 79 – Chairman of the Board and Director**

Jack McOuat is one of the founding partners of the WGM Group and until recently served as Chairman and Director of Watts, Griffis and McOuat Limited. He acted as Executive Engineer for many of WGM's projects. Mr. McOuat has broad experience in all aspects of mining. He has planned and supervised field programs, engineering investigations and feasibility studies all over the world. He has been consulted by a number of governments and many private sector companies. Mr. McOuat currently sits on the Boards of CAPVEST Income Corp., Sentry Select Primary Metals Corp, Romios Gold Resources Inc., Canadian Income Management Inc., the general partner of NCE Diversified Flow-Through (12) Limited Partnership and the general partner of NCE Diversified Flow-Through (11) Limited Partnership. He is currently a director of the Royal Ontario Museum and Chair of the Heritage Governors at the ROM. Mr McOuat is also a director of the Canadian Mining Hall of Fame. Mr. McOuat served many years as a Board member of Franco Nevada Corp., Cominco Ltd. (now known as Teck Resources) and Diamond Fields Resources Inc. at the time of the Voisey's Bay discovery. He has authored numerous articles and publications and served on numerous industry and engineering organizations. He also received an Honorary Doctorate from the Technical University of Nova Scotia. Mr. McOuat will be devoting approximately 5% of his time to the affairs of the Corporation.

**William R. Johnstone – Age 56 – Corporate Secretary and Director**

Bill Johnstone has been a partner at Gardiner Roberts LLP since February of 2005 practicing in the areas of corporate and securities law. Mr. Johnstone is the Practice Leader of the firm's Securities Law Group. Prior to that, Mr. Johnstone was the proprietor of Johnstone & Company, a boutique corporate and securities law firm, for 12 years. Mr. Johnstone has been practicing law for 28 years. Mr. Johnstone is also a director and/or officer of seven TSXV listed companies. Mr. Johnstone will be devoting 5% of his time to the affairs of the Corporation.

**Brian Robertson – Age 63 – Director**

Brian Robertson is a registered Professional Engineer in the province of Ontario with extensive experience in all aspects of mine operations, development and construction. His experience includes 21 years with Placer Dome Inc. operating mines in Canada and carrying out mine construction in South Africa. As General Manager for Royal Oak Mines, he played a key role in the construction of the 50,000 tonne per day Kemess mine located in British Columbia. He has carried out exploration programs across Canada as well as in Turkey and Mexico. Mr. Robertson currently serves as President and CEO for Source Exploration and was formerly President of Nuinsco Resources Limited and Victory Nickel Inc. He sits on the Boards of Source Exploration, Corp., Auriga Gold Corp. and Romios Gold Resources Inc. Mr. Robertson holds a BSc. in Mining Engineering from the University of Alaska and a Graduate Diploma in

Business Administration from Laurentian University. Mr. Robertson will be devoting 5% of his time to the affairs of the Corporation.

**Thomas Skimming – Age 77 – Director**

Thomas Skimming is a professional geologist with over 50 years experience in the mineral resources industry and has served as an officer and/or director on the boards of a number of exploration and mining companies listed on the TSX and TSXV. Since 1972, Mr. Skimming has represented private and public mineral resource companies as an exploration and mining consultant and in this capacity, has traveled extensively throughout Canada, United States, South Africa, Russia, Argentina, Chile, Philippines, Brazil, Panama, Guatemala, Nicaragua and a number of countries in Eastern Europe on various exploration assignments. Mr. Skimming has been instrumental in the discovery and/or development of several mineral deposits in North America, the most notable being the Teck-Corona gold deposit at Hemlo, Ontario and the Golden Reward gold deposit in the state of South Dakota, U.S.A. Mr. Skimming holds a BSc degree from the University of Michigan, U.S.A. and completed post graduate studies in mineral exploration at McGill University in Montreal, Canada. Currently, Mr. Skimming sits on the boards of Romios Gold Resources Inc., Golden Predator Corp., Macmillan Minerals Inc. and Diadem Resources Ltd. Mr. Skimming is a professional engineer and has been a member of the Association of Professional Engineers of Ontario since 1971 and the Association of Professional Engineers and Geoscientists of the Province of British Columbia since 2009. Mr. Skimming will be devoting 5% of his time to the affairs of the Corporation.

**Nick Bontis – Age 42 – Director**

Dr. Nick Bontis is a tenured professor of strategic management at the DeGroote School of Business, McMaster University. He received both his Bachelor of Arts in 1992 (Honours Business Administration) and his PhD from the Ivey School of Business at The University of Western Ontario in 1999. His doctoral dissertation on the mutual fund industry went on to become the #1 selling thesis in Canada. He has won over a dozen major teaching awards and the faculty researcher of the year twice. Mclean's magazine has rated him as one of McMaster's most popular professors for six years. He is also a 3M National Teaching Fellow, a honour bestowed upon the top university professors in the country. Prior to his career in academics, Dr. Bontis was a securities analyst at CIBC Securities Inc. He is also an Executive Board Member and Director at Harvest Portfolios Group. Mr. Bontis will be devoting 5% of his time to the affairs of the Corporation.

**Directors' and Officers' Liability Insurance and Indemnification**

Under the Corporation's directors' and officers' insurance coverage, the Corporation will be reimbursed for payments made under indemnity provisions on behalf of Directors and officers contained in its and its subsidiaries' respective constating documents, subject to a deductible for each loss. Individual Directors and officers will also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Corporation, subject to a deductible that will be paid by the Corporation. The constating documents of the Corporation also provide for the indemnification in certain circumstances of Directors and officers of the Corporation and its subsidiaries and their heirs and legal representatives and persons serving in a similar capacity from and against liability and costs in respect of any action or suit against them in respect of the execution of their duties of office. The Directors and officers have also entered into contractual indemnities with the Corporation with regard to the above indemnification obligations.

**Corporate Cease Trade Orders or Bankruptcies**

None of the Directors or officers of the Corporation is, or within the past ten (10) years prior to the date hereof has been, a director, officer or promoter of any other issuer that, while that person was acting in that capacity:

- (1) was subject to a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty (30) consecutive days; or



- (2) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person,

except for William R. Johnstone who was corporate secretary of PacRim Resources Inc., which was cease traded by the Ontario Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission for failure to file financial statements and Razore Rock Resources Inc. (formerly Edda Resources Inc.), which was cease traded by the Ontario Securities Commission for failure to file financial statements until January 29, 2008.

### **Penalties or Sanctions**

None of the Directors or officers of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision except for William R. Johnstone who was reprimanded by the TSXV for breaching three (3) requirements of an undertaking given to the TSXV in his capacity as an officer and director of Outlook Resources Inc. (“**Outlook**”) in respect of the holding of an Annual Meeting for Outlook in compliance with TSXV policies. Mr. Johnstone was required to resign as an officer and director of Outlook; was restricted to his then current involvement as an officer and/or director of six TSXV listed companies; and is required to obtain prior written approval from TSXV before having any involvement as an officer and/or director of another TSXV listed company. The TSXV has since granted permission for Mr. Johnstone to be corporate secretary for a further TSXV listed company.

### **Individual Bankruptcies**

None of the Directors or executive officers of the Corporation has, within the ten (10) years prior to the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Conflicts of Interest**

The Board of Directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests which they may have in any project or opportunity of the Corporation. If a conflict arises, any Director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board of Directors.

To the best of the Corporation’s knowledge and other than as disclosed herein, there are no existing or potential conflicts of interest among the Corporation, its promoters, Directors, officers or other members of management of the Corporation except that certain of the Directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies and their duties as a Director, officer, promoter or member of management of the Corporation.

The Directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by Directors of conflicts of interest and the Corporation will rely upon such laws in respect of any Directors’ and officers’ conflicts of interest or in respect of any breaches of duty to any of its Directors and officers.

## EXECUTIVE COMPENSATION

The information contained below is provided as required under Form 51-102F6 (the “**Form**”), as such term is defined in National Instrument 51-102.

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the Corporation’s executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers (“**Named Executive Officers**”) listed in the Summary Compensation Table that follows. During its fiscal year ended September 30, 2011, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Corporation:

- Tom Drivas, President and Chief Executive Officer

The Corporation did not have a Chief Financial Officer until January 23, 2012 and does not employ or retain any other individuals who would qualify as a “Named Executive Officer” because no executive officer or employee of the Corporation receives total compensation (including without limitation salary and bonus) in excess of \$150,000.

The Corporation established a Compensation Committee on February 1, 2012. The entire Board was responsible for the compensation program for the Corporation’s Named Executive Officers up to and including the period ending September 30, 2011.

### Compensation Objectives and Principles

The Corporation is an exploration company focused on the acquisition and exploration of mineral prospects. The Corporation has no revenues from operations and often operates with limited financial resources. As a result, to ensure that funds are available to complete scheduled programs, the Board has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial condition of the Corporation in the future.

To date, limited compensation has been paid to the Corporation’s Named Executive Officers. It is anticipated that the Compensation Committee will re-evaluate the compensation being paid. It is expected that compensation will consist of a cash component and potentially the granting of stock options or other share compensation arrangements. The Corporation does not provide its Named Executive Officers with perquisites or personal benefits that are not otherwise available to all of its employees.

### Compensation Processes and Goals

The deliberations of the Board are conducted in a special session from which management is absent. These deliberations are intended to advance the key objectives of the compensation program for the Corporation’s Named Executive Officers. At the request of the Board, the Named Executive Officers may, from time to time, provide advice to the Board with respect to the compensation program for the Corporation’s Named Executive Officers.

The Corporation relies on its Board, through discussion without any formal objectives, targets, criteria or analysis, in determining the compensation of its Named Executive Officers. The Board is responsible for determining all forms of compensation, including the provision of long-term incentives through the granting of stock options to the Named Executive Officers of the Corporation, and to others, including, without limitation, to the Corporation’s Directors, to ensure such arrangements reflect the responsibilities and risks associated with each such officer’s and Director’s position. The Board incorporates the following goals when it makes its compensation decisions with respect to the Corporation’s Named Executive Officers: (i) the recruiting and retaining of executives who are critical both to the success of the Corporation and to the enhancement of shareholder value; (ii) the provision of fair and competitive compensation; (iii) the balancing of the interests of management with the interests of the Corporation’s

Shareholders; (iv) the rewarding of performance, both on an individual basis and with respect to the operations of the Corporation as a whole; and (v) the preservation of available financial resources.

### **The Implementation of the Corporation's Compensation Policies**

#### *Consulting Fee*

During the year ended September 30, 2011, the Corporation paid the Chief Executive Officer a consulting fee of \$60,000 per annum. This amount was agreed upon between the Chief Executive Officer and the Corporation taking into account the following considerations:

- the Chief Executive Officer's experience gained through his involvement with the Corporation and other resource companies;
- the total number of years of the Chief Executive Officer's relevant experience; and
- the financing raised by the Corporation while the Chief Executive Officer has been in office.

The payment of this consulting fee was not dependent on the Chief Executive Officer's fulfillment of any specific performance goals or similar criteria.

#### *Stock Options*

The granting of options to the Named Executive Officers under the Corporation's Stock Option Plan also provides an appropriate long-term incentive to management to create shareholder value. The number of options the Corporation grants to each Named Executive Officer reasonably reflects the Named Executive Officer's specific contribution to the Corporation in the execution of such person's responsibilities. However, the number of options granted does not depend upon nor does it reflect the fulfillment of any specific performance goals or similar conditions. Previous grants of options to Named Executive Officers are taken into consideration by the Board in developing its recommendations with respect to the granting of new options. The Corporation's Named Executive Officer was not granted any options in the year ended September 30, 2011.

The granting of options to the non-management Directors of the Corporation under the Corporation's Stock Option Plan provides an appropriate long-term incentive to these Directors to provide proper independent oversight to the Corporation with a view to maximizing shareholder value. The number of options the Corporation grants to each of these Directors reasonably reflects each Director's contributions to the Corporation in his capacity as a Director and as a member of one or more committees of the Board (if applicable), including without limitation the Audit Committee. Previous grants of options awarded to the Independent Directors of the Corporation are taken into consideration when the Corporation considers the granting of new options to the Independent Directors. The Corporation's Directors other than the Named Executive Officer were granted 1,400,000 options during the year ended September 30, 2011.

The compensation of Directors has to date been determined by the full Board. The payment of Directors' fees to the Independent Directors recognizes their contributions to the Corporation in their capacities as Independent Directors and members of one or more committees of the Board (if applicable), including without limitation the Audit Committee. Directors did not receive fees for the year ended September 30, 2011.

### **Summary Compensation Table**

The following table contains information about the compensation paid to, earned by and payable to, the Corporation's President and Chief Executive Officer, Tom Drivas, for the fiscal years ending September 30, 2011, September 30, 2010 and September 30, 2009. In accordance with the Form, the Corporation does not have any other "Named Executive Officers" given that no executive officer receives total salary and bonus in excess of \$150,000.

Specific aspects of compensation payable to the Named Executive Officers of the Corporation are dealt with in further detail in subsequent tables.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Tom Drivas,	2011	60,000	Nil	Nil	Nil	Nil	Nil	Nil	60,000
President and	2010	60,000	Nil	Nil	Nil	Nil	Nil	Nil	60,000
C.E.O.	2009	60,000	Nil	Nil	Nil	Nil	Nil	Nil	60,000

#### **Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of September 30, 2011**

No options were granted by the Corporation to its Named Executive Officer in the year ending September 30, 2011.

#### **Value Vested or Earned by Named Executive Officers During the Year Ended September 30, 2011 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The Named Executive Officer does not currently hold any options or other share-based awards in the year ending September 30, 2011.

#### **Employment/Consulting Contracts**

The Corporation has not entered into a written consulting agreement with the Chief Executive Officer. Tom Drivas receives \$60,000 per year effective October 1, 2008 for acting as Chief Executive Officer of the Corporation. The Corporation has agreed to pay its Chief Financial Officer \$3,000 per month effective February 1, 2012.

#### **Termination and Change of Control Benefits**

Other than as noted herein, the Corporation has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of any such officer's employment with the Corporation, from a change of control of the Corporation or a change in the responsibilities of a Named Executive Officer following a change in control.

#### **Compensation of Directors**

The following table contains information about the compensation awarded to, earned by, paid to or payable to, the Corporation's Directors, other than its Named Executive Officers, the compensation of whom is detailed above under "Summary Compensation Table", for the fiscal year ended September 30, 2011.

**Director Compensation Table**

Name	Salary (\$)	Share- Based Awards (\$)	Option- Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long- Term Incentive Plans			
Thomas Skimming	Nil	Nil	307,947	Nil	Nil	Nil	Nil	307,947
Brian Robertson	Nil	Nil	307,947	Nil	Nil	Nil	Nil	307,947
William R. Johnstone <sup>(2)</sup>	Nil	Nil	153,973	Nil	Nil	Nil	Nil	153,973
Jack McOuat	Nil	Nil	230,960	Nil	Nil	Nil	Nil	230,960

Notes:

<sup>(1)</sup> The fair value of the options was estimated using the Black-Scholes Option pricing model with the following assumptions: expected dividend yield of 0%; risk free interest rate of 1.98%; estimated life of 5 years and expected volatility of 141%. No options were actually exercised and no value was received with respect to these Option-Based Awards.

<sup>(2)</sup> Mr. Johnstone is legal Counsel to the Corporation and receives separate compensation in that capacity.

**Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who Are Named Executive Officers) as of September 30, 2011**

The following table summarizes all share-based and option-based awards granted by the Corporation to its Directors (other than Directors who are Named Executive Officers whose share-based and option-based awards outstanding as of September 30, 2011 are detailed above) which are outstanding as of September 30, 2011.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In- The-Money Options (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share- Based Awards that have not Vested (\$)
Thomas Skimming	400,000	1.25	February 17, 2016	Nil	Nil	Nil
Brian Robertson	400,000	1.25	February 17, 2016	Nil	Nil	Nil
William R. Johnstone	200,000	1.25	February 17, 2016	Nil	Nil	Nil
Jack McOuat	400,000	1.25	July 14, 2016	Nil	Nil	Nil

**Value Vested or Earned During the Year Ended September 30, 2011 by Directors (Other Than Directors Who are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year ended September 30, 2011 by Directors of the Corporation (other than Directors who are Named Executed Officers whose value vested or earned during the year ended September 30, 2011 under option-based awards, share-based awards and non-equity incentive plan

compensation is detailed above) in respect of option-based awards, share-based awards and non-equity incentive plan compensation.

Name	Option-Based Awards- Value Vested During the Year	Share-Based Awards- Value Vested During the Year	Non-Equity Incentive Plan Compensation- Value Earned During the Year
	(\$)	(\$)	(\$)
Thomas Skimming	Nil	Nil	Nil
Brian E. Robertson	Nil	Nil	Nil
William R. Johnstone	Nil	Nil	Nil
Jack McOuat	Nil	Nil	Nil

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No Directors, executive officers, employees and no former Directors, executive officers and employees of the Corporation are or were indebted to the Corporation.

### AUDIT COMMITTEE AND CORPORATE GOVERNANCE

#### **Audit Committee**

The Audit Committee assists the Directors in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Corporation, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements of the Corporation. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for the selection of independent auditors to be appointed by the Shareholders of the Corporation.

#### **Audit Committee Charter**

The Corporation's Audit Committee is governed by its Audit Committee Charter, a copy of which is annexed hereto as **Schedule "B"**.

#### **Composition of the Audit Committee**

The Corporation's Audit Committee is comprised of three Independent Directors, and initially consists of Brian Robertson, Thomas Skimming and Nick Bontis, with Nick Bontis serving as chair. All members of the Audit Committee are financially literate as required by NI 52-110.

#### **Relevant Education and Experience**

**Nick Bontis** – Dr. Nick Bontis is a tenured professor of strategic management at the DeGroote School of Business, McMaster University. He received both his Bachelor of Arts in 1992 (Honours Business Administration) and his PhD from the Ivey School of Business at The University of Western Ontario in 1999. He is a globally-recognized management consultant and frequently appears in the media to discuss corporate performance and business trends. He is also a former staff auditor at KPMG and is currently an Executive Board Member and Director at Harvest Portfolios Group.

**Brian Robertson** – Mr. Robertson holds a Graduate Diploma in Business Administration from Laurentian University, Sudbury, Ontario, and has extensive experience in financial matters related to public companies gained as President and CEO of Source Exploration as well as former President of Nuinsco Resources Limited and Victory Nickel Inc. Mr. Robertson has played a key role in a number of financings for both public and private companies.

**Thomas Skimming** – in his role as a professional engineer, consulting geologist and a director and officer of a number of resource companies, Mr. Skimming has reviewed and analyzed financial statements, MD&As and other financial documents of many Canadian resource companies. Currently, Mr. Skimming is a member of the audit committee of Golden Predator Corp., a TSX-listed resource company, and formerly acted as Chief Financial Officer of Romios Gold Resources Inc., a public resource company listed on the TSXV. Mr. Skimming has been instrumental in a number of financial transactions for public and private companies.

### **Reliance on Certain Exemptions**

The Corporation has not relied on any of the exemptions set out in Form 52-110F1 of NI 51-110.

### **Pre-Approval Policies and Procedures**

As of the date hereof, the Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

### **External Auditor Service Fees (By Category)**

The following table sets out the “audit fees”, “audit-related fees”, “tax fees” and “other fees” billed for the years ended September 30, 2011 and 2010.

	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>Other Fees</b>
September 30, 2011	\$17,000	\$0	\$1,500	\$0
September 30, 2010	\$11,100	\$0	\$1,500	\$0

### **Corporate Governance**

The following disclosure is provided in compliance with National Instrument 58-101 – Disclosure of Corporate Governance Practices (“**NI 58-101**”) and National Policy 58-201 – Corporate Governance Guidelines (“**NP 58-201**”).

The Board of Directors believes that sound corporate governance practices are essential to the effective, efficient and prudent operation of the Corporation and to the enhancement of shareholder value. The Board of Directors fulfils its mandate directly and through committees at regularly scheduled meetings or as required. Frequency of meetings may be increased and the nature of the agenda items may be changed depending on the state of the Corporation’s affairs and in light of opportunities and risks which the Corporation faces. The Directors are kept informed of the Corporation’s operations at these meetings as well as through reports and discussions with Management.

### **Board of Directors**

Four (4) of the six (6) members of the Board of Directors, including Jack McOuat, Brian Robertson, Thomas Skimming and Nick Bontis, are independent within the meaning of NI 58-201. Only Tom Drivas and William R. Johnstone are not independent. Mr. Drivas is the President and Chief Executive Officer and Mr. Johnstone is the Corporate Secretary of the Corporation. The Independent Directors will be encouraged to have open and frank discussions and, if felt necessary, require that the non-independent director leave the meeting while such discussions are undertaken. Mr. McOuat, as Chairman of the Corporation, is responsible for chairing all meetings of the Board of Directors, providing leadership to the Board of Directors, managing the Board of Directors, acting as a liaison between the Board of Directors and Management and representing the Corporation to external groups.

The following table summarizes directorships of other reporting issuers held by Directors of the Corporation:

Director	Name of Reporting Issuer	Market	Position(s) with Issuer
Jack McOuat	CAPVEST Income Corp.	TSXV	Director
	Canadian Income Management Inc.	TSX	Director
	Sentry Select Primary Metals Corp.	TSX	Director
	Romios Gold Resources Inc.	TSXV	Director
	NCE Diversified Flow-Through (12) Limited Partnership		Director of the general partner
	NCE Diversified Flow-Through (11) Limited Partnership		Director of the general partner
Tom Drivas	Romios Gold Resources Inc.	TSXV	Director, President and C.E.O.
William R. Johnstone	Active Control Technology Inc.	TSXV	Director and Corporate Secretary
	Rockcliff Resources Inc.	TSXV	Director and Corporate Secretary
	Strait Minerals Inc.	TSXV	Director and Corporate Secretary
	AurCrest Gold Inc.	TSXV	Director and Corporate Secretary
	Romios Gold Resources Inc.	TSXV	Director and Corporate Secretary
	Razore Rock Resources Inc.	CNSX	Director, Corporate Secretary and Acting Chief Financial Officer
Brian Robertson	Aurgia Gold Corp.	TSXV	Director
	Source Exploration Corp.	TSXV	President, C.E.O. and Director
	Romios Gold Resources Inc.	TSXV	Director
Thomas Skimming	Golden Predator Corp.	TSX	Director
	Romios Gold Resources Inc.	TSXV	Director and VP, Exploration
	Diadem Resources Ltd.	TSXV	Director
	Macmillan Minerals Inc.	TSXV	Director and C.E.O.
Nick Bontis	Harvest Portfolios Group Inc.	TSXV	Director

### Board Mandate

The Board of Directors of the Corporation is responsible for the general supervision of the management of the business as well as for the oversight and review of the strategic planning process of the Corporation. The Board of Directors will discharge its responsibilities directly and through its committees, currently consisting of the Audit Committee and the Compensation Committee. The Board of Directors meets regularly to review the business operations, corporate governance and financial results of the Corporation. The Board's Charter sets out its responsibilities and the duties of its members. A copy of the Board Charter of the Corporation is attached hereto as **Schedule "C"**.

### Position Description

The Board of Directors has not adopted descriptions for the Chairman of the Board of Directors, the Chief Executive Officer or the chairs of its committees. The Board of Directors will be reviewing these functions and plans to develop such descriptions within the next year.



### **Orientation and Continuing Education**

The Corporation does not have any formal orientation process for new Directors. The Corporation is considering what requirements will be appropriate on a go forward basis.

### **Nomination of Directors**

The full Board is responsible for recruiting new Directors, proposing new Director nominees to the Board and reviewing the performance and qualifications of existing Directors.

### **Ethical Business Conduct**

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Corporation's operations and corporate practices. The Corporation's Code of Business Conduct and Ethics (the "Code") aims to encourage the appropriate standards of conduct and behaviour of the Directors, officers, employees and contractors (collectively the "Corporation Representatives") in carrying out their roles for the Corporation. The Corporation Representatives are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Corporation. The general principles of the Code are as follows:

- Corporation Representatives must act honestly, in good faith and in the best interest of the Corporation as a whole.
- Corporation Representatives have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employments.
- A Corporation Representative's primary responsibility is to the Corporation and its shareholders as a whole and there is a duty not to make improper use of information acquired as a Corporation Representative, take improper use or advantage of their position or engage in conduct likely to bring discredit upon the Corporation. In addition, Corporation Representatives must not allow personal interests, or the interest of any associated person, to conflict with the interests of the Corporation.
- Confidential information received by Corporation Representatives in the course of the exercise of their duties remains the property of the Corporation. It is improper to disclose the information, or allow it to be disclosed, unless that disclosure has been authorized by the Corporation, or the person from whom the information is provided, or it is required by law.

The Corporation has also implemented an Insider Trading Policy, which imposes basic trading restrictions on all employees and consultants of the Corporation and a Whistleblower Policy, which encourages the reporting of any non-compliance with the Code.

All Directors are required to notify fellow Directors of any material personal interest in any matter under the Board's consideration. Having regard to the nature and extent of such interest, the affected Director may be required to remove himself from discussion and consideration of, and voting on, such matter.

### **Compensation**

On February 1, 2012 the Corporation formed a Compensation Committee comprised of Thomas Skimming, Jack McOuat and Nick Bontis. The Compensation Committee will be responsible for all compensation decisions on a go forward basis.

### **Board Assessments**

The full Board will be responsible for reviewing with the Board of Directors, on an annual basis, the requisite skills and characteristics of prospective members of the Board of Directors as well as the composition of the Board of

Directors as a whole. This assessment will include a member's contribution, qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board of Directors.

## **RISK FACTORS**

An investment in the Common Shares of the Corporation is speculative and involves significant risks which should be carefully considered by prospective investors before purchasing such securities. In addition to the other information set forth elsewhere in this Prospectus, the following risk factors should be carefully reviewed by prospective investors:

### **Operating History**

The Corporation has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Corporation has no intention of paying any dividends in the foreseeable future.

### **Exploration, Development and Operating Risk**

The exploration for and development of uranium and REE properties involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical process and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; mineral and metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital.

Although Appia does not currently operate a mine on any of its properties, it intends to pursue the development of mines on the Property. There is no certainty that the expenditures made by Appia towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration, development and production of uranium and REE and other base or precious metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

### **Early Stage Property**

The Property is in the early exploration stage and is without reserves. The proposed programs on the Property are an exploratory search for a mineral deposit. Development of the Property will only follow upon obtaining satisfactory results. Exploration for and the development of minerals involve a high degree of risk and few properties, which are explored, are ultimately developed into producing properties. There is no assurance that the Corporation's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term success of the Corporation's operations will be in large part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

**Insufficient Resources or Reserves**

Substantial additional expenditures will be required to establish either resources or reserves on mineral properties and to develop processes to extract the minerals. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis or at all.

**Uncertainty Relating to Inferred Mineral Resources**

Inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

**Uncertainty in the Estimation of Mineral Reserves and Resources**

There is a degree of uncertainty to the estimation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral and reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, uranium and REE prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Property. In addition, there can be no assurance that recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in uranium and REE prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or Appia's ability to extract these mineral reserves, could have a material adverse effect on Appia's results of operations and financial condition.

**Uranium and REE Prices**

The prices of uranium and rare metals and minerals are subject to change and a substantial or extended decline in these prices could materially and adversely affect the value of the Corporation's mineral properties. The prices of uranium and REEs have fluctuated widely, particularly in recent years, and may experience volatile and significant price movements over short periods of time. Factors that impact on the price of uranium include demand for nuclear power, political and economic conditions in uranium-producing and consuming nations, reprocessing of spent fuel and re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from dismantling nuclear weapons) by governments and industry participants and products levels and costs of production. The price of both uranium and REEs is affected by numerous factors beyond the Corporation's control, including general international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production of uranium, rare metals and minerals due to new mine developments and improved mining and production methods, availability and cost of metal substitutes, metal stock levels maintained by producers and others, inventory carrying costs, and demand for downstream products incorporating REEs.

In addition, China currently provides the vast majority of the world's supply of rare metals and minerals. It has, in recent years, reduced its export quotas and started imposing heavier taxes on the production or export of rare metals and minerals. These changes have resulted in significant increases in the price of rare metals and minerals. There can be no assurance that China will continue its current policy and any decision by China to discontinue its current policies could result in a significant decrease in the price of rare metals and minerals.

Because the Corporation expects to derive the substantial majority of value from the value of its uranium and rare metals and minerals deposits, that value will fluctuate as the price of these metals increase or decrease. A sustained period of declining uranium and rare metals and minerals prices would materially and adversely affect the Corporation's financial performance, financial position, results of operations and the value of its mineral properties.

**Limited Number of Customers**

A small number of electric utilities worldwide buy uranium for nuclear power plants. Because of the limited market for uranium, a reduction in demand by electric utilities for newly-produced uranium would adversely affect the Corporation's business.

**Public Acceptance of Nuclear Energy**

Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the world could impact the continuing acceptance of nuclear energy and the future prospects for nuclear generation, which may have a material adverse effect on Appia.

**Key Personnel**

The success of the Corporation will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Corporation is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Corporation's success. The Corporation has not purchased any "key-man" insurance with respect to any of its Directors, officers or key employees and has no current plans to do so.

**Conflicts of Interest**

Certain Directors and officers of the Corporation are or may become associated with other natural resource companies which may give rise to conflicts of interest. In accordance with the CBCA, Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the Directors and the officers are required to act honestly and in good faith with a view to the best interests of the Corporation. The Directors and officers of the Corporation have either other full-time employment or other business or time restrictions placed on them and accordingly, the Corporation will not be the only business enterprise of these Directors and officers.

**Additional Capital**

The exploration and development of the Property will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on the Property or even a loss of the Corporation's interest in the Property. The Corporation will also require additional funding to acquire further property interests. The ability of the Corporation to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from treasury of the Corporation, control of the Corporation may change and security holders may suffer additional dilution.

**Title**

The mining claims that comprise the Property have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirements. Other parties may dispute the Corporation's title to the Property. While the Corporation has diligently investigated title to all mineral claims comprising the Property and, to the best of its knowledge, title to the Property is in good standing, this should not be construed as a guarantee of title. The Property may be subject to prior unregistered agreements or transfers or land claims, including First Nations land claims, and

title may be affected by undetected defects. There is no guarantee that title to the Property will not be challenged or impugned. Also, in many countries, including Canada and the USA, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties.

### **Aboriginal Land Claims and Aboriginal Rights**

The Property may in the future be the subject of aboriginal peoples' land claims or aboriginal rights claims. The legal basis of an aboriginal land claim and aboriginal rights is a matter of considerable legal complexity and the impact of the assertion of such a claim, or the possible effect of a settlement of such claim upon the Corporation cannot be predicted without any degree of certainty at this time. In addition, no assurance can be given that any recognition of aboriginal rights or claims whether by way of a negotiated settlement or by judicial pronouncement (or through the grant of an injunction prohibiting mineral exploration or mining activity pending resolution of any such claim) would not delay or even prevent the Corporation's exploration, development or mining activities.

### **Barriers To Commercial Production**

The Corporation will rely upon consultants and others for construction and operating expertise. The economics of developing mineral properties is affected by many factors including but not limited to the cost of operations, grade of ore, fluctuating mineral markets, costs of processing equipment, competition, extensions on licenses and such other factors as government regulations, including regulations relating to title to mineral concessions, royalties, allowable production, importing and exporting of minerals and environmental protection. Many of the above factors are beyond the control of the Corporation. Depending on the price of minerals produced, the Corporation may determine that it is impractical to either commence or continue commercial production.

### **Maintaining Interests In Mineral Properties**

The Corporation's continuing right to maintain its ownership in the Property and the Saskatchewan Claims will be dependent upon compliance with applicable laws and with agreements to which it is a party. The Corporation's properties consist of various rights to acquire interests in lands prospective for mineral exploration. There is no assurance that the Corporation will be able to obtain and/or maintain all required permits and licences to carry on its operations. Additional expenditures will be required by the Corporation to maintain its interests in its properties. There can be no assurance that the Corporation will have the funds, will be able to raise the funds or will be able to comply with the provisions of the agreements relating to its properties which would entitle it to an interest therein and, if it fails to do so, its interest in certain of these properties may be reduced or be lost.

### **Acquiring Additional Properties**

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Corporation may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

### **Insurance and Uninsured Risks**

The Corporation's business is subject to a number of risks and hazards including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in mining, monetary losses and possible legal liability. Although the Corporation maintains liability insurance in amounts which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Corporation may elect not to insure against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a materially adverse effect upon its financial position.

The Corporation is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration) has not been generally available to companies within the industry. The Corporation will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. The Corporation may be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Without such insurance, and if the Corporation becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Corporation has to pay such liabilities and result in bankruptcy. Should the Corporation be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedial work.

### **External Market Factors**

The marketability and price of minerals which may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The Corporation will be affected by changing production costs, the supply or/and demand for minerals, the rate of inflation, the inventory levels of minerals held by competing companies, the political environment and changes in international investment patterns.

### **Governmental and Regulatory Requirements**

Government approvals and permits are currently, and may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of properties.

### **Environmental Regulations**

Due to the early stage of the Corporation's operations and its minimal capitalization, any environmental issues or any changes in environmental regulations would seriously adversely affect the Corporation.

All phases of the Corporation's operations are subject to environmental regulation. Environmental legislation is becoming more strict with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that environmental regulation will not adversely affect the Corporation's operations. Environmental hazards may exist on a property in which the Corporation holds an interest which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the property.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential

to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. The Corporation intends to fully comply with all environmental regulations in all of the countries in which it is active.

### **Commodity Prices and Exchange Rate Fluctuations**

The feasibility of mineral exploration is significantly affected by changes in the market price of uranium and REEs. Uranium and REE prices fluctuate widely and are affected by numerous factors beyond the Corporation's control. The level of interest rates, the rate of inflation, the world supply of gold and the stability of exchange rates can all cause significant fluctuations in uranium and REE prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

### **Dividend Policy**

No dividends on the Common Shares have been paid by the Corporation to date. For the foreseeable future no dividends on the Common Shares will be paid to Shareholders.

### **Absence of Public Trading Market**

Currently, there is no public market for the Common Shares and there can be no assurance that an active market for the Common Shares will develop or be sustained after the Receipt Date. If an active public market for the Common Shares does not develop, the liquidity of an investor's investment may be limited and the share price may decline below the price paid for the Common Shares by such investor.

### **Controlling Shareholder**

CEC will own approximately 81.66% of outstanding capital of the Corporation on the Receipt Date. CEC is controlled by Tom Drivas, a Director and officer of the Corporation. This will make it very difficult for Shareholders to replace incumbent management in the near future and may have an adverse impact on the liquidity of the Common Shares.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Corporation is not involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the Corporation.

Since the formation of the Corporation to the date hereof, management knows of no:

- (i) penalties or sanctions imposed against the Corporation by a court relating to provincial or territorial securities legislation or by a securities regulatory authority;
- (ii) other penalties or sanctions imposed by a court or regulatory body against the Corporation necessary to be disclosed for the Prospectus to constitute full, true and plain disclosure of all material facts relating to the Corporation; and
- (iii) settlement agreements the Corporation entered into before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No other informed person (within the meaning of applicable securities laws) of the Corporation, and no Director, or any of their respective associates or affiliates, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the inception date of the Corporation except as disclosed herein.

### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

Wasserman Ramsay, Chartered Accountants, Liberty Square, HSBC Tower, 3601 Hwy 7 East, Suite 1008, Markham, Ontario, L3R 0M3 are the auditors of the Corporation.

The registrar and transfer agent of the Corporation is Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

### **OTHER MATERIAL CONTRACTS**

Other than as disclosed in this Prospectus, the Corporation has not entered into any material contracts, other than contracts entered into the ordinary course of business.

Copies of the following material contracts are, or will be, available on SEDAR at [www.sedar.com](http://www.sedar.com):

- (a) the CEC Vending Agreement;
- (b) the Royalty Agreement; and
- (c) the EMC Agreement.

A copy of any material contract and the Technical Report may be inspected from the date hereof and for a period of thirty (30) days after the Receipt Date during normal business hours at the Corporation's head office, Suite 1010, 25 Adelaide Street East, Toronto, Ontario M5C 3A1.

### **EXPERTS**

The following persons or companies whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company are named in this Prospectus as having prepared or certified a report, valuation, statement or opinion in this Prospectus.

Al Workman and Kurt Breede are the Authors of the Technical Report and each is a "qualified person" as defined in NI 43-101. The Authors and WGM have not held, received or are to receive any registered or beneficial interest, direct or indirect, in any securities of the Corporation or its associates or affiliates.

Wasserman Ramsay, Chartered Accountants, are the auditors of the Corporation and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Gardiner Roberts LLP is legal Counsel to the Corporation. As of the date hereof the partners and associates of Gardiner Roberts LLP, as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding Common Shares of the Corporation.

### **OTHER MATERIAL FACTS**

Other than as disclosed herein, there are no other material facts about the Corporation that are not disclosed under any other items and are necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Corporation.



**FINANCIAL STATEMENTS**

The unaudited condensed interim financial statements of the Corporation prepared by management for the nine months ended June 30, 2012 are attached to and form part of this Prospectus as **Schedule "A"**. The audited financial statements for the Corporation for the years ended September 30, 2011, September 30, 2010 and September 30, 2009 are attached to and form part of this Prospectus as **Schedule "A"**.

## GLOSSARY OF NON-TECHNICAL TERMS

“**Affiliate**” has the meaning ascribed to such term in the *Securities Act* (Ontario);

“**Appia**” means Appia Energy Corp.;

“**Audit Committee**” means a committee that acts as a liaison between the auditors, management and the Board of Directors and ensures that the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations;

“**Authors**” means the authors of the Technical Report;

“**Beneficial Owner**” means a holder of a beneficial interest in a Common Share;

“**Board of Directors**” means the Board of Directors of the Corporation;

“**CBCA**” means the *Canada Business Corporations Act*;

“**CEC**” means Canada Enerco Corp.;

“**CEC Claims**” means six-one (61) claims comprising the Property acquired pursuant to the CEC Vending Agreement;

“**CEC Royalties**” means the royalties granted to CEC pursuant to the CEC Vending Agreement;

“**CEC Vending Agreement**” means the agreement dated November 1, 2007 between CEC and the Corporation pursuant to which the Corporation acquired the CEC Claims;

“**CEE**” means Canadian Exploration Expenditures;

“**Code**” means the Corporation’s Code of Business Conduct and Ethics;

“**Common Shares**” means the common shares in the authorized capital of the Corporation;

“**Corporation**” means Appia Energy Corp. and, where the context requires, includes any of its subsidiaries;

“**Counsel**” means Gardiner Roberts LLP;

“**Denison**” means Denison Mines Inc.;

“**Denison Claims**” means the two (2) CEC Claims transferred to Denison;

“**Denison Agreement**” means the Assignment and Royalty Agreement between Denison and the Corporation dated July 22, 2009;

“**Director**” means a director of the Corporation and “**Directors**” means all of the directors of the Corporation;

“**Eligible Persons**” means any employee, executive officer, director or consultant of the Corporation and its subsidiaries to whom Options can be granted in reliance on a prospectus and registration exemption under applicable securities laws;

“**EMC**” means Energy Metals Corp.;

“**EMC Agreement**” means Assumption of Obligations Agreements dated November 2, 2007 among the Corporation, CEC, Quincy Gold Corp. and EMC (now owned by Uranium One Inc.) pursuant to which EMC has the right to purchase from the Corporation, at the offering price, up to 9.9% of the Common Shares issued pursuant

to the first public offering of securities by the Corporation by prospectus resulting in the listing of the Corporation's securities on a stock exchange. Alternatively, if the Corporation effects a reverse takeover, merger or other business combination with a company listed on a recognized stock exchange, EMC will have the right to purchase, on closing of the transaction, up to 9.9% of the securities of the resulting company at the same price as securities are issued for the acquisition of the Corporation;

“**Form**” means Form 51-102F6;

“**Independent Director**” means a Director who is “independent” (as defined in NI 52-110) of the Corporation;

“**IFRS**” means International Financial Reporting Standards;

“**MD&A**” means Management's Discussion and Analysis;

“**MNDM**” means the Ministry of Northern Development and Mines;

“**NI 43-101**” means National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

“**NI 52-110**” means National Instrument 52-110 *Audit Committees*;

“**NI 58-101**” means National Instrument 58-101 *Disclosure of Corporate Governance Practices*;

“**NP 58-201**” means National Policy 58-201 *Corporate Governance Guidelines*;

“**Optionee**” means a person holding Options under the Stock Option Plan;

“**Options**” means the options granted by the Corporation for the purchase of Common Shares to Eligible Persons;

“**Patrie Agreement**” means the vending agreement dated February 27, 2008 between Dan Patrie Exploration Ltd. and the Corporation;

“**Patrie Claims**” means the six (6) claims comprising the Property acquired pursuant to the Patrie Agreement;

“**Patrie Royalty**” means the 1% Uranium Production Royalty on the Patrie Claims for all Uranium sold at a price of at least US\$130 per pound;

“**Property**” means the 100 mining claims located in Beange, Bolger, Bouck, Buckles, Gunterman, Joubin and Lehman Townships, Sault Ste. Marie Mining Division, in the Province of Ontario inclusive of the CEC Claims, the Patrie Claims and the Staked Claims;

“**Prospectus**” means this preliminary Non-Offering Prospectus dated September 27, 2012;

“**Qualifying Jurisdictions**” means the provinces of Alberta, British Columbia, Saskatchewan and Ontario;

“**Receipt Date**” means the date a receipt is issued for the final Prospectus of Appia by the Qualifying Jurisdictions;

“**Royalty Agreement**” means the royalty agreement dated February 2, 2012 between CEC and the Corporation to clarify the terms of the CEC Royalties;

“**Saskatchewan Claims**” means the Corporation's interests in 10 mineral claims in the Athabasca Basin of Saskatchewan;

“**Shareholder(s)**” means the holder(s) of Common Shares;

“**Staked Claims**” means the number of claims staked by CEC and transferred to Appia and the claims directly staked by Appia all comprising part of the Property;

“**Stock Option Plan**” means the plan adopted by the Corporation authorizing the Corporation to grant Options to Eligible Persons;

“**Technical Report**” means the technical report entitled “A Technical Review of the Appia Energy Corp. Rare Earth Metal-Uranium Property, Elliot Lake District, North-Central Ontario, Canada” dated July 18, 2011 written by Al Workman, P. Geo and Kurt Breede, P. Eng of Watts, Griffis and McOuat Limited;

“**Teasdale Zone**” means that portion of the Property located in Buckles Township approximately 1 km east of the former Can-Met Mine and situated obliquely on strike (and down dip) about 4 km southeast of the Panel Mine on which WGM has calculated a rare earth metal and uranium resource. Reference is made to the Technical Report and the disclosure under the heading “The Property” for further particulars;

“**TSXV**” means the TSX Venture Exchange; and

“**WGM**” means Watts, Griffis and McOuat Limited.

**AUDITORS' CONSENT**

We have read the Non-Offering Prospectus of Appia Energy Corp. (the "**Corporation**") dated ●. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Prospectus of our report to the Shareholders of the Corporation on the balance sheets of the Corporation as at September 30, 2011, 2010 and 2009 and the statements of Operations and Deficit and Cash Flows for the periods then ended. Our report is dated December 23, 2011.

Wasserman Ramsay  
Chartered Accountants

●, 2012

**SCHEDULE "A"**  
**INDEX TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AND AUDITED FINANCIAL STATEMENTS**

<b>Unaudited Condensed Interim Financial Statements of the Corporation</b> .....	A-2
Condensed Interim Statements of Financial Position as at June 30, 2012, September 30, 2011 and October 1, 2010 .....	A-3
Condensed Interim Statements of Changes in Equity as at June 30, 2012, September 30, 2011, June 30, 2011 and October 1, 2010 .....	A-4
Condensed Interim Statements of Profit and Loss, and Comprehensive Profit and Loss for the three and nine months ended June 30, 2012 and 2011 .....	A-5
Condensed Interim Statements of Cash Flows for the nine months ended June 30, 2012 and 2011 .....	A-6
Notes to Condensed Interim Financial Statements as at June 30, 2012.....	A-7
<b>Audited Financial Statements of the Corporation</b> .....	A-24
Independent Auditors' Report .....	A-25
Balance Sheets for the years ended September 30, 2011, 2010 and 2009 .....	A-26
Statements of Loss and Comprehensive Loss for the years ended September 30, 2011, 2010 and 2009 .....	A-27
Statements of Deficit for the years ended September 30, 2011, 2010 and 2009.....	A-27
Statements of Cash Flows for the years ended September 30, 2011, 2010 and 2009.....	A-28
Notes to Financial Statements for the years ended September 30, 2011, 2010 and 2009.....	A-29

**APPIA ENERGY CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended June 30, 2012 and 2011  
(unaudited)  
(Expressed in Cdn \$)**

**Appia Energy Corp.**  
**Condensed Interim Statements of Financial Position**  
**(Expressed in Cdn \$)**  
*Unaudited*

As at	June 30 2012 \$	September 30 2011 \$	October 1 2010 \$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents (note 4)	1,607,362	1,765,825	629,712
Cash and cash equivalents for future exploration activities (note 4)	1,717,856	1,898,160	-
Accounts receivable	6,532	5,248	572
Prepaid expenses	71,601	6,208	7,859
	<b>3,403,351</b>	<b>3,675,441</b>	<b>638,143</b>
<b>Mineral properties</b>			
Acquisition costs (note 5)	725,916	725,916	597,593
Deferred exploration expenditures (note 5)	3,400,463	3,206,659	3,020,755
	<b>7,529,730</b>	<b>7,608,016</b>	<b>4,256,491</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable & accruals	369,707	300,051	219,853
Common shares subscribed, not issued	-	3,125	-
	<b>369,707</b>	<b>303,176</b>	<b>219,853</b>
Deferred flow-through share premium liability	236,241	260,908	-
Deferred income tax	517,033	360,837	398,200
	<b>1,122,981</b>	<b>924,921</b>	<b>618,053</b>
<i>Contingencies and commitments (note 10)</i>			
<b>Shareholders' equity</b>			
Share capital (note 6(a))	7,835,123	7,796,776	4,834,343
Warrants (note 6(c))	1,302	117,091	-
Contributed surplus (note 6(d))	1,863,246	1,000,827	-
Deficit	(3,292,922)	(2,231,599)	(1,195,905)
	<b>6,406,749</b>	<b>6,683,095</b>	<b>3,638,438</b>
	<b>7,529,730</b>	<b>7,608,016</b>	<b>4,256,491</b>

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

APPROVED ON BEHALF OF THE BOARD ON September 27, 2012

*"Anastasios (Tom) Drivas"*  
Anastasios (Tom) Drivas

*"William R. Johnstone"*  
William R. Johnstone



**Appia Energy Corp.**  
**Condensed Interim Statements of Changes in Equity**  
**(Expressed in Cdn \$)**

Unaudited

	Share Capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
<b>At October 1, 2010</b>	4,834,343	-	-	(1,195,905)	3,638,438
Net loss and comprehensive loss for the period	-	-	-	(757,389)	(757,389)
Common shares issued, net	1,477,500	-	-	-	1,477,500
Flow throw shares issued, net	1,779,232	-	-	-	1,779,232
Value associated with warrants issued	(110,562)	110,562	-	-	-
Share-based payments	-	-	673,634	-	673,634
Share issuance costs	(169,413)	6,529	-	-	(162,884)
<b>At June 30, 2011</b>	7,811,100	117,091	673,634	(1,953,294)	6,648,531
Net loss and comprehensive loss for the period	-	-	-	(278,305)	(278,305)
Common shares issued, net	-	-	-	-	-
Flow throw shares issued, net	-	-	-	-	-
Value associated with warrants issued	-	-	-	-	-
Share issuance costs	(14,324)	-	-	-	(14,324)
Share-based payments	-	-	327,193	-	327,193
<b>At September 30, 2011</b>	7,796,776	117,091	1,000,827	(2,231,599)	6,683,095
Net loss and comprehensive loss for the period	-	-	-	(1,061,323)	(1,061,323)
Common shares issued, net	28,400	-	-	-	28,400
Flow throw shares issued, net	11,250	-	-	-	11,250
Flow through warrants expired	-	(117,091)	117,091	-	-
Value associated with warrants issued	(1,302)	1,302	-	-	-
Share-based payments	-	-	745,328	-	745,328
<b>At June 30, 2012</b>	7,835,123	1,302	1,863,246	(3,292,922)	6,406,749

**Appia Energy Corp.****Condensed Interim Statements of Profit and Loss, and Comprehensive Profit and Loss****(Expressed in Cdn \$)***Unaudited*

	For the nine months ended June 30		For the three months ended June 30	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>Expenses</b>				
Professional fees	147,862	50,553	33,969	23,595
Management fees and salaries	45,000	45,000	15,000	15,000
Office and general	22,747	17,460	5,919	4,351
Shareholder communication	4,187	6,086	695	253
Share-based payments	745,328	673,634	100,977	96,233
Loss for the period before the following	(965,124)	(792,733)	(156,560)	(139,432)
Interest income	33,080	17,041	11,085	13,284
Net loss for the period	(932,044)	(775,692)	(145,475)	(126,148)
Deferred income tax	(129,279)	18,303	(130,738)	6,734
<b>Net profit/(loss) and comprehensive profit/(loss)</b>	<b>(1,061,323)</b>	<b>(757,389)</b>	<b>(276,213)</b>	<b>(119,414)</b>
Deficit, beginning of period	(2,231,599)	(1,195,905)	(3,016,709)	(1,833,880)
<b>Deficit, end of the period</b>	<b>(3,292,922)</b>	<b>(1,953,294)</b>	<b>(3,292,922)</b>	<b>(1,953,294)</b>
Weighted average number of shares outstanding	40,990,872	40,166,027	41,324,850	40,726,389
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.00)

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

**Appia Energy Corp.**  
**Condensed Interim Statements of Cash Flows**  
**(Expressed in Cdn \$)**

Unaudited

	For the nine months ended	
	June 30	
	2012	2011
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(1,061,323)	(757,389)
Items not affecting cash:		
Deferred income tax	129,279	(18,303)
Share-based payments	745,328	673,634
	(186,716)	(102,058)
Net change in non-cash working capital		
Accounts receivable	(1,284)	(1,650)
Prepaid expenses	(65,393)	2,071
Accounts payable and accrued liabilities	66,530	75,043
	(186,863)	(26,594)
<b>Investing activities</b>		
Mineral property acquisition costs	-	(128,323)
Deferred exploration expenditures	(193,804)	(139,092)
	(193,804)	(267,415)
<b>Financing activities</b>		
Private placement of common shares	41,900	3,556,250
Share issue expense	-	(162,884)
	41,900	3,393,366
Change in cash and cash equivalents	(338,767)	3,099,357
Cash and cash equivalents, beginning of period	3,663,985	629,712
<b>Cash and cash equivalents, end of period</b>	<b>3,325,218</b>	<b>3,729,069</b>
<b>Cash comprises:</b>		
Cash and cash equivalents	1,607,362	1,781,856
Cash and cash equivalents for future exploration activities	1,717,856	1,947,213
	<b>3,325,218</b>	<b>3,729,069</b>

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

**APPIA ENERGY CORP.****Notes to Condensed Interim Financial Statements****June 30, 2012****(expressed in Canadian dollars unless otherwise stated)****(Unaudited)****1. Nature of operations and going concern**

Appia Energy Corp. ("Appia" or "the Company") has interests in resource properties and is in the process of determining whether its properties contain resources that are economically recoverable.

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

These unaudited condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2012 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Company had working capital of \$3,033,644 as at June 30, 2012, and has incurred losses since inception, resulting in an accumulated deficit of \$3,292,922 as at June 30, 2012. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These condensed interim financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" assumption were not appropriate for these interim financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

**2. Basis of preparation and statement of compliance with IAS 34**

These unaudited condensed interim financial statements form part of the period covered by the Company's first IFRS annual financial statements IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and comprise IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or for the former Standing Interpretations Committee ("SICs"). These unaudited condensed interim financial statements have been prepared in accordance with IAS 34- *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective as at the Company's first IFRS annual reporting date, September 30, 2012 with significant accounting policies as described in Note 3.

These unaudited condensed interim financial statements may not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended September 30, 2011 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The basis of preparation of these unaudited condensed interim financial statements is different to that of the Company's most recent annual

financial statements due to the adoption of IFRS. An explanation of how the transition to IFRS with a transition date of October 1, 2010 has affected the reported financial position and financial performance of the Company is provided in Note 12.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”) governs the first-time adoption of IFRS. IFRS 1 in general requires accounting policies under IFRS to be applied retrospectively to determine the opening balance sheet of the Company as of transition date of October 1, 2010, and allows certain exemptions.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed interim financial statements. Operating results for the nine months ended June 30, 2012, may not be indicative of the results that may be expected for the year ending September 30, 2012.

### **3. Summary of significant accounting policies**

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS annual financial statements will be determined as at September 30, 2012. In the event that accounting policies adopted at September 30, 2012 differ materially from the accounting policies used in the preparation of these unaudited condensed interim financial statements, these unaudited condensed interim financial statements will be restated to retrospectively account for the application of those policies adopted at September 30, 2012.

The significant accounting policies used in the preparation of these unaudited condensed interim financial statements are as follows:

#### **Presentation Currency**

The Company's presentation currency and functional currency is the Canadian dollar (“\$”).

#### **Significant Accounting Judgments and Estimates**

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant areas are as follows:

##### *Critical accounting estimates*

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's assumption of no material restoration, rehabilitation and environmental obligation, is based on the facts and circumstances that existed during the period.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Future income tax assets also

result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

### **Cash and Cash Equivalents**

Cash and cash equivalents consists of cash, demand deposits and high-interest savings vehicles with an initial term of less than 90 days.

### **Foreign Currency Translation**

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the statement of loss and comprehensive loss.

### **Exploration and Evaluation Assets**

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

Exploration and evaluation assets are assessed for impairment based on the indicators of impairment in IFRS 6.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

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

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

### **Share-based Payments**

The Company grants stock options to buy common shares of the Company to directors, officers and services providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to mineral properties as appropriate, with a corresponding increase in equity.

The fair value for share purchase options granted to those providing services is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the

Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

### **Income Taxes**

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied

### **Restoration, Rehabilitation and Environmental Obligations**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

### **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

### **Flow through shares**

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

### **Loss per share**

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

### **Impairment**

Mineral properties are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers mineral properties to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties in the current period.

### **Accounting pronouncements issued but not yet adopted**

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the condensed interim financial statements.

IFRS 10, Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities.



IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

In July 2011, the IASB agreed to defer the effective date of IFRS 9, Financial Instruments from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early adoption is permitted.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

#### 4. Cash and cash equivalents

Cash and cash equivalents and cash and cash equivalents held for future exploration activities consists of cash and investments in Canadian Chartered Bank demand money market funds.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units for gross proceeds of \$13,500. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and are therefore not available for current working capital purposes.

During the nine months to June 30, 2012, the Company spent a total of \$193,805 on exploration activities, including committed funds raised in the prior fiscal year, leaving a balance of \$1,717,856 at June 30, 2012 to be spent on Canadian Exploration Expenditures ("CEE").

#### 5. Mineral properties

##### Acquisition costs

	Ontario Elliot Lake	Saskatchewan	Total
	\$	\$	\$
Balance, September 30, 2010	597,593	-	597,593
Total additions for the period	-	128,323	128,323
Balance, September 30, 2011	597,593	128,323	725,916
Total additions for the period	-	-	-
Balance June 30, 2012	597,593	128,323	725,916

## 5. Mineral properties (continued)

During fiscal 2011, the Company participated in staking 26,657 hectare uranium and rare earth prospects in Saskatchewan for total consideration and costs of \$128,323. The Company holds interests between 50 to 90% in these 10 mineral properties in the Athabaska Basin area in the province of Saskatchewan.

### Deferred exploration expenditures

	<b>Total</b>
	<b>\$</b>
Balance, September 30, 2010	3,020,755
Additions:	
Assaying	70,004
Subcontract labour	102,084
Other	13,816
Total additions for the period	185,904
Balance, September 30, 2011	3,206,659
Additions:	
Assaying	2,460
Drilling	150,000
Subcontract labour	28,334
Other	13,010
Total additions for the period	193,804
Balance, June 30, 2012	3,400,463

Note: To date all deferred exploration expenditures have been incurred on the Company's Elliot Lake Property.

### Ontario, Elliot Lake

(a) On November 1, 2007, the Company acquired a 100% interest in 61 mining claims (the "Vended Property") known as the Elliot Lake property located in Beange, Bolger, Bouck, Buckles, Gunterman and Joubin Townships, Sault Ste. Marie Mining Division in the Province of Ontario. As part of the acquisition agreement the Company issued 35 million common shares to Canada Enerco Corp. ("CEC"), a company controlled by the President, CEO and Director of the Company, at a stated value of \$218,212. CEC retains a 1% Uranium Production Payment Royalty and a 1% Net Smelter Returns Royalty on any precious or base metals payable provided the price of uranium is greater than US\$130 per pound (collectively the "CEC Royalty"). Any mining claims acquired by the Company within 20 kilometres from the existing boundary of the Vended Property are subject to the CEC Royalty.

The Company also entered into two (2) share option agreements with CEC whereby the Company had the option to buy back 1,000,000 of the common shares of the Company at the price of \$1 per share, expiring August 31, 2008 and 9,000,000 common shares at the price of \$2 per share, subject to adjustment downward, in tranches of 1,000,000 shares, expiring November 2, 2012. In the fiscal year ended September 30, 2008, the Company exercised the first option for the 1,000,000 common shares by payment to CEC of \$1,000,000. These shares were returned to treasury for cancellation in fiscal 2009. The second option was conditional upon the Company spending at least \$10 million on exploration on the property prior to November 1, 2011, to define an NI 43-101 compliant uranium mineral resource on the property. The maximum purchase price for the option was to be determined as \$0.10 multiplied by the number of pounds of uranium resource defined in the Ni 43-101 report. In the event that the maximum purchase price was less than \$20 million, the option price of the 9 million shares would be adjusted to equal the maximum purchase price divided by 10 million. The Company did not spend the required \$10 million on exploration and the second option expired on November 1, 2011.

Pursuant to an Assumption of Obligations Agreement dated November 2, 2007 among the Company, CEC, Quincy Gold Corp. and Energy Metals Corp. ("EMC"), the Company assumed certain obligations of CEC to Quincy and EMC giving the Company a 100% interest in the Elliot Lake property free and clear of

all liens, charges and encumbrances in consideration for granting to EMC the right to purchase up to 9.9% of the equity of the Company (the "Participation Right") pursuant to an initial financing or an initial public offering or a going public transaction pursuant to a business combination at the same price and terms as other subscribers and a \$250,000 credit (the "Credit") towards the Participation Right. Since the date of the agreement mentioned above, EMC has been acquired by Uranium One. In fiscal year 2008, 250,000 common shares of the Company were issued to EMC in consideration for the Credit.

(b) The Company transferred 2 of the claims acquired from CEC as disclosed in (a) above to Denison Mines Inc. in return for rights of access and use of infrastructure as well as a 3% Net Smelter Returns Royalty on any product produced from the claims. No gain or loss has been recognized on this transfer.

(c) On February 27, 2008, the Company entered into an agreement with Dan Patrie Exploration Ltd. ("DPE") to acquire an option to earn a 100% interest in 6 mineral claims comprising 50 claim units in the Buckles and Joubin Townships in Sault Saint Marie Mining Division in the Province of Ontario in consideration for the payment of \$20,000 cash and the issuance of 50,000 common shares at a price of \$1 per share. DPE retains the right to a 1% Uranium Production Payment Royalty ("Royalty") payable when the uranium is sold from the claims at a price of at least US\$130 per pound. The Company has the right and option to purchase one-half (1/2) of the Royalty from DPE for \$1,000,000. If DPE wishes to sell the remaining Royalty to a third party, it shall first offer the remaining Royalty to the Company on the same terms on which they have received the offer from a bona fide third party which they are prepared to accept.

(d) During fiscal 2010 the Company staked an additional 35 claims in the Elliot Lake area for additional cost of \$35,950. All staked claims above are subject to the CEC Royalty as outlined in paragraph (a) above. Pursuant to a Royalty Agreement dated February 2, 2012, CEC and the Company clarified the terms of the CEC Royalty.

## 6. Share capital

### (a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares

	<i>Number</i> #	<i>Amount</i> \$
Balance, September 30, 2010 and 2009	39,016,525	4,834,343
Flow through common shares issued, net	1,385,833	1,779,232
Common shares issued	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Share issue costs	-	(183,737)
Balance, September 30, 2011	41,584,358	7,796,776
Flow through common shares issued, net	9,000	11,250
Common shares issued November 15, 2011	20,720	25,900
Common shares issued December 30, 2011	2,000	2,500
Less: Value associated with warrants issued	-	(1,302)
Balance, June 30, 2012	41,616,078	7,835,123

During the 2011 fiscal year the Company entered into private placement agreements to raise funds for exploration and working capital by way of a private placement of gross proceeds of \$1,477,500 in the aggregate through the issuance of 1,182,000 working capital units of the Company at \$1.25 per unit ("WC unit") and 1,385,833 flow-through units of the Company at \$1.50 per flow-through unit ("FT unit") for gross proceeds of \$2,078,750. Each WC unit consisted of one common share and one-half common share purchase warrant ("WC Warrant"). Each full WC Warrant entitles the holder to acquire one common share at a price of \$1.75 for 12 months following the closing date; if the Company is not a reporting issuer in the

Province of Ontario within 6 months following the closing date then each full WC Warrant will be exercisable at \$1.25 per share for 12 months from the closing date. Each FT unit consists of one common share and one-half common share purchase warrant ("FT Warrant"). Each full FT Warrant is exercisable at a price of \$2 per share for 12 months following the closing date; if the Company is not a reporting issuer within 6 months from the closing date then the exercise price will be \$1.50 per share for 12 months following the closing date.

Finder fees were paid on the flow-through private placements by payment of cash commissions of \$162,884 and by the issuance of 46,666 broker compensation warrants ("Broker's Unit Warrant"). Each Broker Unit Warrant entitles the holder to acquire a unit of the Company at exercise price of \$1.50 per unit for 12 months from the closing date. Each broker unit consists of one common share ("Broker Common Share") and one-half common share purchase warrant ("Broker Warrant"). 46,666 common shares was reserved for the Broker Common Shares issuable on the exercise of the Broker's Unit Warrants and 23,333 Broker Warrants were created and reserved for issuance to be issued as fully paid and non-assessable Broker Warrants on the exercise of the Broker's Unit Warrants. Each Broker Warrant entitles the holder thereof to acquire a common share ("Broker Warrant Share") at an exercise price of \$2.00 per Broker Warrant share until 12 months from the Closing Date, and if the Company is not a reporting issuer in the Province of Ontario within six (6) months following the Closing Date, at an exercise price of \$1.50 per Broker Warrant Share until 12 months from the Closing Date.

Also included under share issue costs are legal fees in the amount of \$27,309 and fair value of broker warrants issued in the amount of \$6,529. The fair value of the broker's warrants was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, expected volatility of 30% and expected life term of 12 months.

On November 15, 2011, the Company completed a private placement of 20,720 working capital units ("WC unit") at \$1.25 per unit for gross proceeds of \$25,900. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant ("WC warrant"). Each full WC warrant entitles the holder thereof to purchase one common share of the Company at a price of \$1.75 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full WC warrant shall entitle the holder to purchase one common share of the Company at \$1.25 per common share for twelve months following the Closing Date.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units ("FT unit") at \$1.50 per unit for gross proceeds of \$13,500. Each FT unit consists of one flow-through share ("FT share") of the Company and one-half of a common share purchase warrant ("Warrant"). Each full Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$2.00 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full Warrant shall entitle the holder to purchase one common share of the Company at \$1.50 per common share for twelve months following the Closing Date.

On December 30, 2011, the Company completed a private placement of 2,000 working capital units ("WC unit") at \$1.25 per unit for gross proceeds of \$2,500. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant ("WC warrant"). Each full WC warrant entitles the holder thereof to purchase one common share of the Company at a price of \$1.75 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full WC warrant shall entitle the holder to purchase one common share of the Company at \$1.25 per common share for twelve months following the Closing Date.

**(b) Common share purchase options**

The Company has created a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares.

**(b) Common share purchase options (continued)**

As at June 30, 2012 2,200,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options #	Weighted-average exercise price \$
Outstanding at September 30, 2010	-	-
Granted	1,400,000	1.25
Outstanding at September 30, 2011	1,400,000	1.25
Granted	800,000	1.25
Outstanding at June 30, 2012	2,200,000	1.25
Options exercisable at June 30, 2012	1,600,000	1.25

On February 17, 2011, the Company issued 1,000,000 stock options exercisable at \$1.25 per share until February 17, 2016 to directors of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after February 17, 2012.

On July 14, 2011, the Company issued 400,000 stock options exercisable at \$1.25 per share until July 14, 2016 to a director of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after July 14, 2012.

On January 23, 2012, the Company issued 400,000 stock options exercisable at \$1.25 per share until January 23, 2017 to a director of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after January 23, 2012.

On February 1, 2012, the Company issued 400,000 stock options exercisable at \$1.25 per share until February 1, 2017 to an officer of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after February 1, 2012.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	43.6 months	\$1.25	February 17, 2016
400,000	200,000	48.5 months	\$1.25	July 14, 2016
400,000	200,000	54.8 months	\$1.25	January 23, 2017
400,000	200,000	55.0 months	\$1.25	February 1, 2017
2,200,000	1,600,000			

The weighted average fair value of all the options granted and outstanding is \$0.90 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate is 1.98%, expected dividend yield of nil, expected volatility of 97%-141% and expected life term is 60 months. Under this method of calculation, the Company has recorded \$745,328 as stock based compensation during the nine months ended June 30, 2012, being the fair value of the options vested during the nine months ended June 30, 2012. Options that have been issued and remain outstanding vest half immediately on the date of grant and half in twelve months from the date of grant.

**(c) Warrants**

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	<i>Number</i> #	<i>Amount</i> \$
Balance September 30, 2010 and 2009	-	-
Private placement warrants issued	1,283,916	110,562
Brokers warrants issued	69,999	6,529
Balance September 30, 2011	1,353,915	117,091
Private placement warrants issued	15,860	1,302
Warrants expired	(1,353,915)	(117,091)
Balance June 30, 2012	15,860	1,302

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	4,500	4.5 months	\$1.50	November 15, 2012
Warrants	10,360	4.5 months	\$1.25	November 15, 2012
Warrants	1,000	6 months	\$1.25	December 30, 2012
Balance, June 30, 2012	15,860			

**7. Contributed surplus**

A summary of changes in contributed surplus is as follows:

	Amount \$
Balance, September 30, 2010	-
Stock based compensation	1,000,827
Balance, September 30, 2011	1,000,827
Stock based compensation	745,328
Common shares purchase warrants expired	117,091
Balance, June 30, 2012	1,863,246

The number of common shares outstanding on June 30, 2012 was 41,616,078. Taking into account outstanding share purchase options, and warrants, the fully diluted common shares that could be outstanding on June 30, 2012 was 43,831,938.

**8. Related party transactions**

During the three months ended June 30, 2012, the Company incurred related party expenses of \$27,000 (for the three months ended June 30, 2011 – \$18,000) and \$67,000 for the nine months ended June 30, 2012 (for the nine months ended June 30, 2011 - \$54,000). These expenses related to management fees

paid to Tom Drivas, Chief Executive Officer, Michael D'Amico, Chief Financial Officer and office administration services paid to a Company where Tom Drivas is a director and officer, of which \$283,306 (2011 - \$225,000) is due and payable as at June 30, 2012 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

Compensation of key management personnel and directors for the three and nine months ending June 30, 2012 and 2011 is summarized as follows:

	For the three months ended Jun 30, 2012	For the three months ended Jun 30, 2011	For the nine months ended Jun 30, 2012	For the nine months ended Jun 30, 2011
	\$	\$	\$	
Compensation and directors' fees	24,000	15,000	58,000	45,000
Share-based payments	100,976	96,234	745,328	673,635

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the three and nine months ended June 30, 2012 and 2011.

During the three months ended June 30, 2012, the Company incurred expenses of \$6,660 (for the three months ended June 30, 2011- \$3,240) and \$90,709 for the nine months ended June 30, 2012 (for the nine months ended June 30, 2011 - \$33,344) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At June 30, 2012 \$7,581 was due and payable to this related party.

These amounts were expensed in the period incurred as administrative and general expenses. Expenses and amounts paid and owing are measured at the exchange amount.

As disclosed in Note 5(a) of the condensed interim financial statements, the Company's major exploration property was acquired from a related party.

## 9. Financial instruments and risk management

### Categories of financial assets and liabilities

Under IFRS, financial instruments are classified into one of the following five categories: Fair value through profit and loss ("FVTPL"), held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale are classified into the following categories:

	<b>June 30 2012</b>	September 30 2011
	\$	\$
FVTPL <sup>(1)</sup>	<b>3,325,218</b>	3,663,985
Loans and receivables <sup>(2)</sup>	<b>6,532</b>	5,248
Other financial liabilities <sup>(3)</sup>	<b>369,708</b>	300,051

(1) Includes cash, committed cash and short-term investments.

(2) Includes accounts receivable related to HST tax refunds.

(3) Includes accounts payable and bank overdraft.

### Financial Instruments

The carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

- (i) Cash and cash equivalents and cash and cash equivalents held for future exploration are designated as FVTPL financial assets and are recorded at market value. The interest on deposits is insignificant.
- (ii) H.S.T. receivable is designated as loans and receivables and is recorded at cost.
- (iii) Accounts payable is designated as other financial liabilities and is recorded at cost.

### Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

#### **(a) Market risk**

- (i) *Price risk*

##### *Commodity price risk*

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from the fluctuation of the value of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

##### *Sensitivity*

Anticipated changes in the value of uranium and rare earth elements would not, in management's opinion, change the recognized value of any of the Company's financial instruments.

- (ii) *Cash flow fair value interest rate risk*

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

#### **(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amount of financial assets recorded in the condensed interim financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

#### **(c) Liquidity risk**



Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

## **10. Capital disclosures**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of capital stock, warrants and contributed surplus.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and intends to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011 and the period ended June 30, 2012. The Company is not subject to externally imposed capital requirements.

## **11. Contingencies and commitments**

As at June 30, 2012 the Company has no contingent obligations.

## **12. Impact of adoption of IFRS**

The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated October 1, 2010, the Company's "Transition Date":

- Share-based payment transactions  
To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- Restoration, rehabilitation and environmental obligations  
The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the company has re-measured the provisions at October 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.
- IFRIC 4 Determining Whether an Arrangement Contains a Lease  
The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the

Transition Date contain a lease based on the circumstances existing at that date. The Company has no leases.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

Reconciliation of comprehensive loss, and liabilities:

	Year ended September 30, 2011	Nine months ended June 30, 2011	
	\$	\$	
<b>Comprehensive loss</b>			
Comprehensive loss under Canadian GAAP	(1,060,157)	(775,692)	
Adjustments for flow-through shares accounting treatment	24,464	18,303	
<b>Comprehensive loss under IFRS</b>	<b>(1,035,693)</b>	<b>(757,389)</b>	
	September 30, 2011	June 30, 2011	
<b>Liabilities</b>			
Deferred income tax, Canadian GAAP	372,661	411,186	
Adjustments for flow-through shares under IFRS	(11,823)	869	
<b>Deferred income tax, under IFRS</b>	<b>360,837</b>	<b>412,055</b>	
Deferred liabilities for flow-through shares, under IFRS	260,908	267,361	
<b>Total adjustments under IFRS</b>	<b>249,083</b>	<b>268,230</b>	
<b>Reconciliation of equity</b>			
	Oct 1, 2010	Sept 30, 2011	Jun 30, 2011
Total shareholders' equity, Cdn GAAP	3,638,437	6,932,178	6,916,759
Adjustments for flow-through shares under IFRS	-	(249,083)	(268,230)
<b>Total shareholders' equity IFRS</b>	<b>3,638,437</b>	<b>6,683,095</b>	<b>6,648,529</b>

### Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on September 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the nine months ended June 30, 2012 and the twelve months ended September 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

- a) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

b) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

c) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

d) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax

assets are available. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and future income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable future tax assets were available.

The net effects of the change in accounting for flow-through shares are as follows:

<b>Effect on statements of financial position:</b>	<u>Oct 1, 2010</u>	<u>Sept 30, 2011</u>	<u>Jun 30, 2011</u>
	\$	\$	\$
Increase (decrease) in share capital	(82,250)	(355,798)	(355,798)
Recognize flow-through share premium	-	260,908	267,361
Increase (decrease) in deficit	82,250	106,714	87,568
Increase (decrease) in deferred income tax liability	-	(11,824)	869
<b>Effect on statements of comprehensive loss:</b>			
Record tax recoveries as the liability is reduced based on the pro-rata expenditures in the period	-	24,464	18,303

**APIA ENERGY CORP.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**



Chartered Accountants

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3  
Tel. 905-948-8637 Fax 905.948.8638  
email: wram@wassermanramsay.ca

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Appia Energy Corp.:**

We have audited the accompanying financial statements of Appia Energy Corp., which comprises of the balance sheets as at September 30, 2011, 2010 and 2009 and the statements of loss and 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Appia Energy Corp. as at September 30, 2011, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Markham, Ontario  
December 23, 2011

A handwritten signature in cursive script that reads 'Wasserman Ramsay'.

Chartered Accountants  
Licensed Public Accountants

**APPIA ENERGY CORP.**  
(Incorporated under the Federal Laws of Canada)

**BALANCE SHEETS - FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**ASSETS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current:			
Cash and cash equivalents	\$ 1,765,825	\$ 629,712	\$ 750,201
Cash and cash equivalents held for future exploration (Note 3)	1,898,160	-	-
Amounts receivable	5,248	572	885
Prepaid expenses	<u>6,208</u>	<u>7,859</u>	<u>3,717</u>
	<u>3,675,441</u>	<u>638,143</u>	<u>754,803</u>
Long term:			
Interest in mineral properties (Note 4)	725,916	597,593	561,643
Deferred exploration expenditures (Note 4)	<u>3,206,659</u>	<u>3,020,755</u>	<u>2,996,140</u>
	<u>3,932,575</u>	<u>3,618,348</u>	<u>3,557,783</u>
	<u>\$ 7,608,016</u>	<u>\$ 4,256,491</u>	<u>\$ 4,312,586</u>

**LIABILITIES**

Current:			
Accounts payable and accrued liabilities	\$ 54,369	\$ 39,854	\$ 39,225
Accounts payable and accrued liabilities - related parties (Note 6)	245,682	180,000	120,000
Common shares subscribed, not issued (Note 11)	<u>3,125</u>	<u>-</u>	<u>-</u>
	<u>303,176</u>	<u>219,854</u>	<u>159,225</u>
Future income tax (Note 7)	<u>372,661</u>	<u>398,200</u>	<u>398,200</u>

**SHAREHOLDERS' EQUITY**

Capital stock (Note 5(a))	8,152,574	4,916,593	4,916,593
Warrants (Note 5(c))	117,091		
Contributed surplus (Note 5(d))	1,000,827	-	-
Deficit	<u>(2,338,313)</u>	<u>(1,278,156)</u>	<u>(1,161,432)</u>
	<u>6,932,179</u>	<u>3,638,437</u>	<u>3,755,161</u>
	<u>\$ 7,608,016</u>	<u>\$ 4,256,491</u>	<u>\$ 4,312,586</u>

*See Nature of Operations (Note 1)*

Approved on behalf of the Board:

"Tom Drivas"  
Anastasios (Tom) Drivas, Director

"William R. Johnstone"  
William R. Johnstone

*The accompanying notes form an integral part of these financial statements*

**APPIA ENERGY CORP.****STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating expenses:			
Management fees	\$ 60,000	\$ 60,000	\$ 60,000
Office and general	23,774	38,258	22,247
Professional fees	38,590	24,504	43,505
Stock-compensation expense ( <i>Note 5(b)</i> )	<u>1,000,827</u>	<u>-</u>	<u>-</u>
	<u>1,123,191</u>	<u>122,762</u>	<u>125,752</u>
Less: Interest income	<u>24,509</u>	<u>6,038</u>	<u>42,981</u>
Net loss for the year before income tax	(1,098,682)	(116,724)	(82,771)
Future income tax recovery	<u>38,525</u>	<u>-</u>	<u>(65,800)</u>
Net loss and comprehensive loss for the year	<u>\$ (1,060,157)</u>	<u>\$ (116,724)</u>	<u>\$ (16,971)</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding			
-basic and diluted	<u>40,624,506</u>	<u>39,016,525</u>	<u>39,016,525</u>

**STATEMENTS OF DEFICIT****FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Deficit, beginning of year	\$ (1,278,156)	\$ (1,161,432)	\$ (206,807)
Shares purchased and cancelled	-	-	(937,654)
Net loss for the year	<u>(1,060,157)</u>	<u>(116,724)</u>	<u>(16,971)</u>
Deficit, end of year	<u>\$ (2,338,313)</u>	<u>\$ (1,278,156)</u>	<u>\$ (1,161,432)</u>

*The accompanying notes form an integral part of these financial statements*



**APPIA ENERGY CORP.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash was provided by (used in) the following activities:			
<b>Operating:</b>			
Loss for the year	\$ (1,060,157)	\$ (116,724)	\$ (16,971)
Add: items not requiring an outlay of cash:			
Stock-based compensation expense	1,000,827		
Future income tax	(38,525)	-	(65,800)
Net change in non-cash working capital items ( <i>Note 8</i> )	<u>80,298</u>	<u>56,800</u>	<u>125,294</u>
	<u>(17,557)</u>	<u>(59,924)</u>	<u>42,523</u>
 <b>Investing:</b>			
Investments in mineral properties	(128,323)	(35,950)	(1,922)
Deferred exploration expenditures	<u>(185,904)</u>	<u>(24,615)</u>	<u>(917,283)</u>
	<u>(314,227)</u>	<u>(60,565)</u>	<u>(266,812)</u>
 <b>Financing:</b>			
Common share issued for cash - net of cash share issue costs	<u>3,366,057</u>	<u>-</u>	<u>-</u>
	<u>3,366,057</u>	<u>-</u>	<u>-</u>
 Net change in cash and cash equivalents	3,034,273	(120,489)	(224,289)
Cash and cash equivalents, beginning of the year	<u>629,712</u>	<u>750,201</u>	<u>974,490</u>
Cash and cash equivalents, end of the year	<u>\$ 3,663,985</u>	<u>\$ 629,712</u>	<u>\$ 750,201</u>
 Cash and cash equivalents are made up as follows:			
Cash and cash equivalents	\$ 1,765,825	\$ 629,712	\$ 750,201
Cash and cash equivalents held for future exploration activities	<u>1,898,160</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,663,985</u>	<u>\$ 629,712</u>	<u>\$ 750,201</u>

*The accompanying notes form an integral part of these financial statements*

**APIIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**1. Nature of Operations and going concern:**

Appia Energy Corp. (the “**Company**”) has interests in mining properties and is in the process of determining whether or not its properties contain resources that are economically recoverable.

The accompanying financial statements of the Company have been prepared by, and are the responsibility of the Company’s management.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company’s ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

As at September 30, 2011 the Company has working capital of \$3,372,265. The Company has no source of operating cash flows. The Company’s ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future financings. While the Company has been successful in raising financing’s to date, there can be no assurance that it will be able to do so in the future.

**2. Summary of significant accounting policies:**

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Cash and cash equivalents:

Cash and cash equivalents and cash and cash equivalents held for future exploration consists of cash and investments in Canadian money market mutual funds.

b) Mineral properties:

The Company carries its mineral resource properties at cost. Exploration expenditures relating to these properties, reduced by sundry income, are charged to deferred expenditures as incurred. If the property is brought into commercial production, the deferred expenditures will be amortized using the unit of production method based on the proven and probable ore reserves of the mine. Should an entire group of mining claims in an area be disproved or abandoned, the related acquisition costs and exploration expenditures will be written off. If the Company surrenders an interest in a property, any proceeds from the disposition of that part of the property is applied to reduce the carrying cost of the property to zero prior to any gain being recognized on the partial disposition.

The net carrying value of mineral properties does not represent the present or future realizable value of such properties. The realization of these assets is dependent upon confirmation of the Company’s ownership interest in the claims and attaining viable commercial operations or proceeds from disposition.

An impairment loss will be recognized on a mineral property when the carrying value of the property is not recoverable and exceeds its fair value. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The factors to be considered by management in this determination include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

c) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company’s policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

**APIIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**2. Summary of significant accounting policies (continued):**

d) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earning per Share (“EPS”). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the section requires the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

e) Income taxes:

The Company has adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

f) Asset retirement obligations:

The Company has adopted CICA 3110, “Asset Retirement Obligations” which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company’s estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company’s exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

g) Use of estimates and assumptions:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The significant areas requiring the use of management estimates are the carrying value of mineral resource properties, the valuation of common shares issued for mineral properties, the determination of income taxes assets and liabilities and the valuation of warrants and stock based compensation. Actual results may differ from those estimates.

h) Financial Instruments – Recognition and Measurement:

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

**APIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**2. Summary of significant accounting policies (continued):**

i) Comprehensive Income:

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

j) Accounting Changes:

Effective May 1, 2007, the Company adopted revised CICA Section 1506 "Accounting Changes", which requires that: a) a voluntary change in accounting policies can be made if, and only if, the changes result in more reliable and relevant information; b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change; and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting policies since the adoption of the revised standard.

Upon adoption of the new standards on financial instruments, the Company designated HST/GST receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

Except for the reclassifications noted above, the adoption of these new standards had no impact on the financial statements of the Company.

k) Capital Disclosures:

Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

l) Financial Instruments:

Handbook Sections 3862 and 3863 replaced Handbook s.3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

**Accounting pronouncements not yet adopted:**

**International Financial Reporting Standards:**

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The Company has the appropriate resources committed to the development of its IFRS changeover plan.

**APPIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**2. Summary of significant accounting policies (continued):**

**Business combinations:**

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's financial statements.

**Non-controlling interests:**

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's financial statements.

**Consolidated financial statements:**

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011.

Apart from additional disclosure requirements, it is not anticipated that adoption of these new standards will have a major impact on the Company.

**3. Cash and cash equivalents held for future exploration:**

Cash and cash equivalents held for future exploration activities consists of cash and investments in Canadian money market mutual funds.

On December 31, 2010, the Company completed a private placement of 52,500 flow-through shares for gross proceeds of \$78,750 and on March 17, 2011 the Company completed a private placement of 1,333,333 flow-through shares for gross proceeds of \$2,000,000. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and are therefore not available for current working capital purposes.

Of the total raised in flow-through funds \$180,590 has been spent on CEE leaving a balance of \$1,898,160.

**4. Mineral properties:**

**Acquisition costs:**

	Ontario Elliot Lake	Saskatchewan	Total
	\$	\$	\$
Balance, September 30, 2008	559,721	-	559,721
Total additions for the period	1,922	-	1,922
Balance, September 30, 2009	561,643	-	561,643
Total additions for the period	35,950	-	35,950
Balance, September 30, 2010	597,593	-	597,593
Total additions for the period	-	128,323	128,323
Balance September 30, 2011	597,593	128,323	725,916

**APPIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**4. Mineral properties (continued):**

**Deferred exploration expenditures:**

	<b>Ontario Elliot Lake \$</b>
Balance, September 30, 2008	2,078,857
Additions:	
Assaying	14,432
Drilling	723,530
Subcontract labour	159,295
Other	20,026
Balance, September 30, 2009	2,996,140
Additions:	
Assaying	-
Subcontract labour	24,615
Balance, September 30, 2010	3,020,755
Additions:	
Assaying	70,004
Subcontract labour	102,084
Other	13,816
Total additions for the period	185,904
Balance, September 30, 2011	3,206,659

- (a) On November 1, 2007, the Company acquired a 100% interest in 61 mining claims (the “Vended Property”) known as the Elliot Lake property located in Beange, Bolger, Bouck, Buckles, Gunterman and Joubin Townships, Sault Ste. Marie Mining Division in the Province of Ontario. As part of the acquisition agreement the Company issued 35 million common shares to Canada Enerco Corp. (“CEC”), a company controlled by the President, CEO and Director of the Company, at a stated value of \$218,212. CEC retains a 1% Uranium Production Payment Royalty and a 1% Net Smelter Returns Royalty on any precious or base metals payable provided the price of uranium is greater than US\$130 per pound (collectively the “CEC Royalty”). Any mining claims acquired by the Company within 20 kilometres from the existing boundary of the Vended Property are subject to the CEC Royalty.

The Company also entered into two (2) share option agreements with CEC whereby the Company has the option to buy back 1,000,000 of the common shares of the Company at the price of \$1 per share, expiring August 31, 2008 and 9,000,000 common shares at a \$2 per share price, subject to adjustments, in tranches of 1,000,000 shares, expiring November 2, 2012. The second option is conditional upon the Company spending at least \$10 million on exploration on the property prior to November 2, 2011, to define an NI 43-101 compliant uranium mineral resource on the property. The Company shall determine the maximum purchase price as \$0.10 multiplied by the number of pounds of uranium. In the event that the maximum purchase price is less than \$20 million the option price of the 9 million shares will be adjusted to equal the maximum purchase price divided by 10 million. In the fiscal year ended September 30, 2008, the Company exercised the first option agreement for the 1 million common shares. These shares were returned to treasury for cancellation in fiscal 2009. The Company did not spend the required \$10 million on exploration and the second option expired on November 1, 2011.

Pursuant to an Assumption of Obligations Agreement dated November 2, 2007 among the Company, CEC, Quincy Gold Corp. and Energy Metals Corp. (“EMC”), the Company assumed certain obligations of CEC to Quincy and EMC giving the Company a 100% interest in the Elliot Lake property free and clear of all liens, charges and encumbrances in consideration for granting to EMC the right to purchase up to 9.9% of the equity of the Company (the “Participation Right”) pursuant to an initial financing or an initial public offering or a going public transaction pursuant to a business combination at the same price and terms as other subscribers and a \$250,000 credit (the “Credit”) towards the Participation Right. Since the date of the agreement mentioned above, EMC has been acquired by Uranium One. In fiscal year 2008, 250,000 common shares of the Company were issued to EMC in consideration for the Credit.

**APPIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**4. Mineral properties (continued):**

- (b) The Company transferred 2 of the claims acquired from CEC as disclosed in (a) above to Denison Mines Inc. in return for rights of access and use of infrastructure as well as a 3% Net Smelter Returns Royalty on any product produced from the claims. No gain or loss has been recognized on this transfer.
- (c) On February 27, 2008, the Company entered into an agreement with Dan Patrie Exploration Ltd. (“DPE”) to acquire an option to earn a 100% interest in 6 mineral claims comprising of 50 claim units in the Buckles and Joubin Townships in Sault Saint Marie Mining Division in the Province of Ontario in consideration for the payment of \$20,000 cash and the issuance of 50,000 common shares at a price of \$1 per share. DPE retains the right to a 1% Uranium Production Payment Royalty (“Royalty”) payable when the uranium is sold from the claims at a price of over US\$130 per pound. The Company has the right and option to purchase one-half (1/2) of the Royalty from DPE for \$1,000,000. If DPE wishes to sell the remaining Royalty to a third party, it shall first offer the remaining Royalty to the Company on the same terms on which they have received the offer from a bona fide third party which they are prepared to accept.
- (d) During the prior year the Company staked an additional 32 claims in the Elliot Lake area for additional cost of \$35,950. All staked claims above are subject to the CEC Royalty as outlined in paragraph (a) above.
- (e) During the current year, the Company participated in staking a 26,657 hectare uranium and rare earth prospects in Saskatchewan for total consideration and costs of \$128,323. The Company holds between 50 to 90% interest in these 10 mineral properties in the Athabaska Basin area in the province of Saskatchewan. Two claims are in the process of being transferred.

**5. Capital stock:**

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

Common shares have been issued as follows:

	<u>Number</u>	<u>Value</u>
Balance as at September 30, 2010 and 2009	<u>39,016,525</u>	<u>\$ 4,916,593</u>
Issued pursuant to flow through private placements	1,385,833	2,078,750
Issued pursuant to private placements	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Less: share issue costs	-	(196,722)
Reduction re: future income tax liability flow-through shares ( <i>Note 6</i> )	<u>-</u>	<u>(12,985)</u>
Balance as at September 30, 2011	<u>41,584,358</u>	<u>\$ 8,152,574</u>

During the current year the Company entered into private placement agreements to raise funds for exploration and working capital by way of a private placement of gross proceeds of \$1,477,500 in the aggregate through the issuance of 1,182,000 working capital units of the Company at \$1.25 per unit (“WC unit”) and 1,385,833 flow-through units of the Company at \$1.50 per flow-through unit (“FT unit”) for gross proceeds of \$2,078,750. Each WC unit consisted of one common share and one-half common share purchase warrant (“WC Warrant”). Each full WC Warrant entitles the holder to acquire one common share at a price of \$1.75 for 12 months following the closing date; if the Company is not a reporting issuer in the Province of Ontario within 6 months following the closing date then each full WC Warrant will be exercisable at \$1.25 per share for 12 months from the closing date. Each FT unit consists of one common share and one-half common share purchase warrant (“FT Warrant”). Each full FT Warrant is exercisable at a price of \$2 per share for 12 months following the closing date, if the Company is not a reporting issuer within 6 months from the closing date then the exercise price will be \$1.50 per share for 12 months following the closing date.

**APIIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**5. Capital stock (continued):**

Finder fees were paid on the flow-through private placements by payment of cash commissions of \$162,884 and by the issuance of 46,666 broker compensation warrants (“**Broker’s Unit Warrant**”). Each Broker Unit Warrant entitles the holder to acquire a unit of the Company at exercise price of \$1.50 per unit for 12 months from the closing date. Each broker unit consists of one common share (“**Broker Common Share**”) and one-half common share purchase warrant (“**Broker Warrant**”). 46,666 common shares was reserved for the Broker Common Shares issuable on the exercise of the Broker’s Unit Warrants and 23,333 Broker Warrants were created and reserved for issuance to be issued as fully paid and non-assessable Broker Warrants on the exercise of the Broker’s Unit Warrants. Each Broker Warrant entitles the holder thereof to acquire a common share (“**Broker Warrant Share**”) at an exercise price of \$2.00 per Broker Warrant share until 12 months from the Closing Date, and if the Company is not a reporting issuer in the Province of Ontario within six (6) months following the Closing Date, at an exercise price of \$1.50 per Broker Warrant Share until 12 months from the Closing Date.

Also included under share issue costs are legal fees in the amount of \$27,309 and fair value of broker warrants issued in the amount of \$6,529. The fair value of the brokers warrants was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, expected volatility of 30% and expected life term of 12 months.

**(b) Common share purchase options:**

The Company has created a stock option plan for the benefit of directors, officers, key employees, and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at September 30, 2011, 1,400,000 common shares were reserved for the exercise of stock options granted under the Company’s stock option plan (the “**Plan**”).

The following table provides the details of changes in the number of issued common share purchase options during the period:

	<b>Options</b>	<b>Weighted-average exercise price</b>
	#	\$
Outstanding at September 30, 2010 and 2009	-	-
Granted	1,400,000	1.25
Outstanding at September 30, 2011	1,400,000	1.25
Options exercisable at September 30, 2011	700,000	1.25

On February 17, 2011, the Company issued 1,000,000 stock options exercisable at \$1.25 per share until February 17, 2016 to directors of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after February 17, 2012.

On July 14, 2011, the Company issued 400,000 stock options exercisable at \$1.25 per share until July 14, 2016 to a director of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after July 14, 2012.



**APIIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**5. Capital stock (continued):**

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	500,000	52.6 months	\$1.25	February 17, 2016
400,000	200,000	57.5 months	\$1.25	July 14, 2016
1,400,000	700,000			

The weighted average fair value of all the options granted and outstanding is \$1.43 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate is 1.98%, expected dividend yield of nil, average expected volatility of 141% and expected life term is 60 months. Under this method of calculation, the Company has recorded \$1,000,827 as stock based compensation during the twelve months ended September 30, 2011, being the fair value of the options vested during the twelve months ended September 30, 2011. Options that have been issued and remain outstanding vest half immediately on the date of grant and half in twelve months from the date of grant.

**(c) Warrants:**

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company grants warrants as consideration for services associated with the placement of such common share issuances. Fair value of warrants issued was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, average expected volatility of 30% and expected life term of 12 months.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number #	\$
Balance September 30, 2010 and 2009	-	-
Private placement warrants issued	1,283,916	110,562
Brokers warrants issued	69,999	6,529
Balance September 30, 2011	1,353,915	117,091

**APIIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**5. Capital stock (continued)**

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	26,250	3 months	\$1.50	December 31, 2011
Warrants	146,000	3.7 months	\$1.25	January 20, 2012
Warrants	400,000	4.6 months	\$1.25	February 18, 2012
Warrants	25,000	4.8 months	\$1.25	February 23, 2012
Warrants	20,000	5.6 months	\$1.25	March 17, 2012
Warrants	666,666	5.6 months	\$1.50	March 17, 2012
Balance, September 30, 2011	1,283,916			

Certain issuances of common shares include warrants as partial consideration to the agent for services associated with the share issues. A summary of the outstanding broker warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Compensation warrants	46,666	5.6 months	\$1.50	March 17, 2012
Brokers' Warrants	23,333	5.6 months	\$1.50	March 17, 2012
Balance, September 30, 2011	69,999			

**(d) Contributed surplus:**

A summary of changes in contributed surplus is as follows:

	Amount \$
Balance, September 30, 2010	-
Stock based compensation	1,000,827
Balance, September 30, 2011	1,000,827

The number of common shares outstanding on September 30, 2011, is 41,584,358. Taking into account outstanding share purchase options and warrants, the fully diluted common shares that could be outstanding on September 30, 2011, is 44,338,273.

**6. Related party transactions:**

During the year ended September 30, 2011, the Company incurred related party expenses of \$72,000 (2010-\$72,000, 2009 - \$72,000). These expenses related to management fees paid to Tom Drivas and office administration services paid to a Company where Tom Drivas is a director and officer, of which \$238,306 (2010-\$180,000, 2009 - \$120,000) is due and payable as at September 30, 2011 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

The Company's solicitor, William R. Johnstone, who is also an officer of the Company, charged legal fees in the amount of \$47,882 (2010-\$13,854, 2009 - \$27,297) of which \$20,573 is included under professional fees and \$27,309 is included in share issue costs. Included in accounts payable is \$7,376 (2010-\$0, 2009 - \$3,252) owing to the firm of this individual.

As disclosed in Note 4(a), the Company's major exploration property was acquired from a related party.

**APPIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**6. Related party transactions (continued):**

These transactions are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**7. Future income tax:**

The Company has incurred tax losses of approximately \$551,350 which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended September 30, if unused, as follows:

2028	\$ 216,800
2029	101,100
2030	135,650
2031	<u>97,800</u>
	<u>\$ 551,350</u>

In addition to the above, the Company has approximately \$1,122,628 in Canadian Development and Exploration expenditures which can be deducted from taxable income without expiry

The components of future income tax assets (liabilities) at the Company's statutory rate of 16.50% (2010 - 16.50%, 2009 - 16.50%) is as noted below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Non-capital loss	90,901	71,700	52,450
Mineral Properties	(463,562)	(450,650)	(450,650)
Valuation allowance	-	(19,250)	-
Liability recognized in the financial statements	<u>(372,661)</u>	<u>(398,200)</u>	<u>(398,200)</u>

As required by CICA Handbook EIC 146, the Company has, for renunciations of flow-through amounts, treated the future income tax liability related to this temporary difference as a reduction in share capital at the time that the expenditure is renounced. In fiscal year 2011 this amounted to \$12,985 and was included in share issue costs.

**8. Supplemental cash flow information:**

Net change in non-cash working capital:	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Amounts receivable	(4,676)	313	108,482
Prepaid expenses	1,651	(4,142)	(3,300)
Accounts payable and accrued liabilities	83,323	60,629	20,112
	<u>80,298</u>	<u>56,800</u>	<u>125,294</u>

**APIIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**9. Financial instruments:****Credit risk:**

The Company is currently not exposed to any significant credit risk.

**Liquidity rate risk:**

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

The Company does not hold or issue financial instruments for trading purposes.

**Market Risk:****a) Interest rate risk:**

At September 30, 2011, the Company has cash and cash equivalent balances. The Company's current policy is to invest cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its bank. The Company considers interest rate risk to be minimal as investments are short-term.

**b) Foreign Currency risk:**

A portion of the Company's transactions occur in foreign currencies (U.S. dollars) and the Company is therefore exposed to risk from currency fluctuations. This risk is not considered significant.

**c) Price risk:**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

**Sensitivity to Financial Risks:**

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for cash equivalents, amounts receivable and accounts payable and accrued liabilities and loan payable on the balance sheet approximate fair value because of the limited terms of these instruments. There were no changes in the year ended September 30, 2011 that occurred that were attributed to financial risks.

The Company considers interest rate risk to be minimal as investments and the loan payable are short-term. It is expected that future financings will be secured from equity placements.

The Company does not hold any significant balances in foreign currencies to give rise to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

**APPIA ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011, 2010 AND 2009**

**10. Capital disclosures:**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of capital stock and accumulated deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. Accordingly, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for its administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011.

The Company is not subject to externally imposed capital requirements.

**11. Subsequent events:**

On November 15, 2011, the Company raised additional working capital by way of private placements of \$25,900 through the issuance of 20,720 working capital units ("**WC unit**") of the Company at \$1.25 per unit. Each WC unit consists of one common share of the Company and one half of a common share purchase warrant ("**WC warrant**"). Each full WC warrant entitles the holder to purchase one common share at a price of \$1.75 per share for 12 months following the closing date and if the Company is not a reporting issuer in the province of Ontario within six months following the closing date, each full WC warrant is exercisable at a price of \$1.25 per common share for 12 months following the closing date.

On November 15, 2011, the Company also raised flow through funds by way of private placements of \$13,500 through the issuance of 9,000 flow-through units ("**FT unit**") of the Company at \$1.50 per FT Unit. Each FT unit consists of one flow-through common share of the Company and one half of a common share purchase warrant ("**FT warrant**"). Each full FT warrant entitles the holder to purchase one common share of the Company at the price of \$2.00 per share for 12 months following the closing date and if the Company is not a reporting issuer in the province of Ontario within six months following the closing date, each full FT warrant is exercisable at a price of \$1.50 per common share for 12 months following the closing date.

## **SCHEDULE “B” AUDIT COMMITTEE CHARTER**

### **Purpose of the Audit Committee**

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of the Corporation is to assist the Board in fulfilling its responsibility for the oversight of the financial reporting process. The purpose of this Charter is to ensure that the Corporation maintains a strong, effective and independent audit committee, to enhance the quality of financial disclosure made by the Corporation and to foster increased investor confidence in both the Corporation and Canada’s capital markets. It is the intention of the Board that through the involvement of the Committee, the external audit will be conducted independently of the Corporation’s management to ensure that the independent auditors serve the interests of shareholders rather than the interests of management of the Corporation. The Committee’s primary duties and responsibilities are to:

- identify and monitor the management of the principal risks that could affect the reliability of financial reporting;
- monitor the integrity of the Corporation’s financial reporting process and system of internal control over financial reporting and accounting compliance;
- be directly responsible for overseeing the work of the external auditor including monitoring the independence and performance of the external auditor;
- be directly responsible for overseeing the internal review processes;
- monitor the Corporation’s compliance with applicable legal and regulatory requirements affecting financial reporting; and
- provide an avenue for effective communication among the audit committee, external auditor, management and the Board.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditor as well as anyone in the Corporation. The Committee has the authority to retain, at the Corporation’s expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

### **Composition of the Audit Committee**

The Committee shall consist of at least three (3) directors appointed by the Board as provided for in the by-laws of the Corporation and may be removed by the Board in its discretion. Each member of the Committee must be an independent director and must be financially literate or become financially literate within a reasonable time after his or her appointment to the Committee. At least one (1) member of the Committee shall have accounting or related financial management expertise. The Committee shall establish procedures for quorum, notice and timing of meetings subject to the proviso that a quorum shall be no less than two (2) Committee members. While the Board may recommend a Chair for the Committee, the Committee shall have the discretion to appoint the Chair from amongst its members.

The Canadian Securities Administrators (“**CSA**”) state that an audit committee member is independent if he or she has no direct or indirect material relationship with the issuer; that is, a relationship that could, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgment. The CSA notes that these relationships may include commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationships. The regulations also include a list of situations that are defined to be material relationships.

The Board shall determine, in its business judgment, whether an individual is financially literate based upon the regulatory definition of financial literacy, meaning the ability to read and understand a set of financial

statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. It is the view of the regulators that it is not necessary for a member to have a comprehensive knowledge of generally accepted accounting principles and generally accepted auditing standards to be considered financially literate.

Disclosure must be made in the Corporation's Information Circular ("IC") for its annual meeting or in the Corporation's Annual Information Form ("AIF") of the name of each Committee member and whether or not the member is independent and financially literate. It should also describe the education and experience of each member that is relevant to his or her responsibilities as a Committee member. If a member is not independent, the Corporation must explain why.

### **Meetings of the Audit Committee**

The Committee shall meet at least four times annually, corresponding with the Corporation's financial reporting cycle, or more frequently as circumstances dictate. The Committee Chair will prepare an agenda in advance of each meeting. The Secretary will circulate the agenda and supporting materials sufficiently in advance of the meeting to allow members an appropriate period of time to prepare for the meeting. The Committee will generally invite members of management and the external auditor to attend each meeting. The Committee shall meet privately at least annually with management and the external auditor to discuss any matters that the Committee or each of these groups believes should be discussed. In addition, the Committee may consider *in camera* sessions at the beginning and/or conclusion of each meeting to discuss privately any matters of interest or concern to the members.

### **Responsibilities and Duties of the Audit Committee**

Management is responsible for adopting and applying sound accounting principles; for designing, implementing and maintaining effective processes related to internal control over financial reporting; and for preparing the annual and interim financial statements, management's discussion and analysis ("MD&A") and other continuous disclosure documents. The external auditor is responsible for conducting an independent audit and for forming an opinion on the annual financial statements. The Committee is responsible for overseeing these financial reporting processes.

Committee members should conduct themselves in an informed, vigilant and effective manner.

Members of the Committee should rely on information furnished to them by others only if they believe it to be reliable for the purpose of making their decisions. They should act in accordance with their own knowledge and training.

The Committee shall be responsible for the following specific matters:

1. Accounting policies
  - (a) Review all of the Corporation's critical accounting policies and all major issues regarding accounting principles and financial statement presentations (including any significant changes in the Corporation's selection or application of accounting principles).
  - (b) Review major changes in the Corporation's accounting policies and practices.
  - (c) Review with the external auditor and management the extent to which changes or improvements in financial or accounting practices, as previously reported to the Committee, have been implemented.
2. Financial reporting process and financial statements
  - (a) In consultation with management and the external auditor, inquire as to the integrity of the Corporation's financial reporting processes, both internal and external, and any major issues as to the adequacy of internal control.

- (b) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas.
- (c) Review recent professional and regulatory pronouncements and understand their impact on the financial statements.
- (d) Review issues related to liquidity, capital resources and contingencies that could affect liquidity.
- (e) Review all plans for treasury operations including financial derivatives and hedging activities.
- (f) Review all material off-balance-sheet transactions, contingent liabilities and transactions with related parties.
- (g) Discuss with the external auditor the matters that generally accepted auditing standards in Canada require to be communicated with the Committee.
- (h) Review and discuss with management and the external auditor the Corporation's quarterly and annual financial statements, MD&A, IC, AIF and annual and interim press releases before they are publicly disclosed by the Corporation and recommend their approval by the Board.
- (i) Periodically assess the adequacy of procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.
- (j) Consider reviewing other financial information provided to analysts and rating agencies.
- (k) Following completion of the annual audit, review with each of management and the external auditor any significant issues, concerns or difficulties encountered during the course of the audit including any major issues that arose during the course of the audit and, which have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgments; and levels of misstatements identified during the audit, obtaining explanations from management and, where necessary, the external auditor, as to why certain misstatements might remain unadjusted.
- (l) Receive and review reports from other Board committees with regard to matters that could affect financial reporting.
- (m) Oversee the resolution of disagreements between management and the external auditor regarding financial reporting.
- (n) Discuss with the external auditor the quality and not just the acceptability of the Corporation's accounting principles.
- (o) Regularly review with the external auditor any audit problems or difficulties and management's response.

3. External auditor

- (a) Be directly responsible for the selection, appointment, compensation, retention, termination and oversight of the work of the Corporation's external auditor, and in such regard recommend to the Board the nomination of the external auditor for approval by the shareholders. Monitor audit engagement partner rotation requirements.
- (b) Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor including fees and terms. In this regard, establish which non-audit services the external auditor shall be prohibited from providing. In doing so, the Committee should consider:



- i whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
  - ii whether there are safeguards in place to help ensure that there is no threat to the external auditors' objectivity and independence in the conduct of the audit resulting from providing such services; and
  - iii the nature of the non-audit services, the related fee levels, and the fee levels individually and in aggregate relative to the audit fee.
- (c) The Committee satisfies the pre-approval requirement in subsection 3(b) if:
  - i the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent (5%) of the total amount of fees paid by the Corporation and its subsidiary entities to the Corporation's external auditors during the fiscal year in which the services are provided;
  - ii the Corporation or the subsidiary entity of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
  - iii the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.
- (d) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 3(b).
- (e) The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection 3(d) must be presented to the Committee at its first scheduled meeting following such pre-approval.
- (f) The Committee satisfies the pre-approval requirement in subsection 3(b) if it adopts specific policies and procedures for the engagement of the non-audit services, if:
  - i the pre-approval policies and procedures are detailed as to the particular service;
  - ii the Committee is informed of each non-audit service; and
  - iii the procedures do not include delegation of the Committee's responsibilities to management.
- (g) Prior to commencement of the annual audit, review with the external auditor the proposed audit plan and scope of work.
- (h) Review the audit representation letters with particular attention to non-standard representations.
- (i) Review and monitor the content of the external auditors' management letter, in order to assess whether it is based on a good understanding of the Corporation's business and establish whether recommendations have been acted upon and, if not, the reasons they have not been acted upon.
- (j) Consider, assess and report to the Board with regard to the independence and performance of the external auditor, and for such purpose:
  - i Review the formal written statement and letter submitted by the external auditor that outlines all relationships between the external auditor and the Corporation, and its affiliates and associates.

- ii Actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services and their impact on the objectivity or independence of the external auditor.
  - iii Conduct a periodic evaluation (taking into account the opinions of management) of the external auditors' qualifications, performance and independence, and present to the Board the Committee's conclusion in such regard.
  - iv Consider obtaining and reviewing at least annually a report from the external auditor describing the firm's quality control procedures and any material issues raised by the firm's most recent review of internal quality control or by any governmental or professional inquiry or investigation.
- (k) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.
4. Internal controls and risk management
- (a) Receive and review the interim and annual CEO and CFO certifications filed with securities regulatory authorities.
  - (b) Receive and review reports from management and the external auditors with regard to the reliability and effective operation of the Corporation's accounting system and internal controls.
  - (c) Discuss with senior management their certification of internal control over financial reporting, as and when required by regulation.
5. Internal review and legal compliance
- (a) Review and approve management's decisions related to the need for internal review.
  - (b) Review the mandate, budget, plan, changes in plan, activities, organization structure and qualifications of the internal review function.
  - (c) Review significant reports prepared as a result of the internal review together with management's response and follow-up to these reports.
  - (d) On at least an annual basis, review with the Corporation's counsel any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies.
6. Additional responsibilities
- (a) Review and reassess the adequacy of the Committee's charter on an annual basis.
  - (b) Determine that the IC or the AIF discloses the text of the Committee's charter, a description of any specific policies and procedures for the engagement of non-audit services, and the aggregate fees billed by the external auditor in each of the last two (2) years, by service fee category.
  - (c) Review the process for communicating the Corporation's Code of Business Conduct and Ethics to company personnel, and for monitoring compliance therewith.
  - (d) Discuss guidelines and policies to govern the process by which risk assessment and risk management have been and are handled, even if the primary responsibility for risk assessment and management is assigned to another Board committee. The Corporation's major financial and business risks exposures and the steps management has taken to monitor and control such exposures should be discussed.

- (e) Establish procedures and policies for the following:
  - i the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - ii the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (f) Prepare and review with the Board an annual performance evaluation of the Committee, the Chair of the Committee and its individual members.
- (g) Review the appointments of the Corporation's Chief Financial Officer and any other key financial executives involved in the financial reporting process.
- (h) Review financial and accounting personnel succession planning within the Corporation.
- (i) Periodically review a summary of all related party transactions and potential conflicts of interest.
- (j) Report regularly to the Board, including matters such as the quality or integrity of the Corporation's financial statements, and compliance with legal or regulatory requirements.
- (k) Review expenses incurred by selected senior executives.
- (l) Conduct or authorize any review or investigation and consider any matters of the Corporation the Committee believes is within the scope of its responsibilities and establish procedures for such review or investigation as may be required.

**SCHEDULE “C”  
BOARD CHARTER**

The Board of Directors (the “**Board**”) of Appia Energy Corp. (the “**Corporation**”) is responsible for the stewardship of the business and affairs of the Corporation on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board shall be constituted with at least three (3) individuals who are independent directors. Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Corporation’s Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The Board shall appoint one director as Chairman. The Chairman shall be an independent director. The Chairman is responsible for the leadership of the Board and for specific functions to ensure the independence of the Board.

The Senior Officers are accountable to the Board for all authority delegated to the positions. For the purposes of these Corporate Governance Policies, Senior Officer shall be defined as any person holding the position of President, CEO, CFO, COO or Vice President of Exploration.

The Board has the following overall responsibilities:

- in conjunction with management, establishing the direction and strategies for the Corporation and monitoring the implementation of those strategies; and
- monitoring compliance with regulatory requirements and setting the tone for ethical behaviour and standards.

The monitoring and ultimate control of the business of the Corporation is vested in the Board. The Board’s primary responsibility is to oversee the Corporation’s business activities and management for the benefit of the Corporation and its shareholders. The specific responsibilities of the Board include:

- selection, appointment, monitoring, evaluation, rewarding and if necessary the removal of the Senior Officers of the Corporation;
- in conjunction with management, development of the strategic planning process and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- monitor and review annually the success of management in implementing the approved strategies and plans;
- establishing appropriate levels of delegation to the Senior Officers to allow them to manage the Corporation’s operations efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information;
- appreciation of areas of significant business risk and ensuring arrangements are in place to adequately manage those risks;
- overseeing the management of safety and occupational health, environmental issues and community development;
- satisfying itself that the financial statements of the Corporation fairly and accurately set out the financial position and financial performance of the Corporation for the period under review;

- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- ensuring that appropriate external audit arrangements are in place and operating effectively;
- developing the Corporation's approach to corporate governance issues;
- having a framework in place to help ensure that the Corporation acts legally and responsibly on all matters consistent with the Code of Business Conduct and Ethics; and
- reporting to shareholders.

At all times the Board retains full responsibility for guiding and monitoring the Corporation; however, in discharging its stewardship it makes use of committees. To this end, the Board has established the following committees:

- Audit Committee; and
- Compensation Committee.

The Corporation also has in place a Disclosure Committee comprised of the CEO and the Corporate Secretary.

Each director has the right to seek independent professional advice on matters relating to his position as a director of the Corporation at the Corporation's expense, subject to the prior approval of the Chairman which shall not be unreasonably withheld.

The independent members of the Board shall meet regularly during the year without any member of the Corporation's management present. Generally these meetings will be held prior to regular Board meetings. Any material business items arising from these meetings shall be brought to the attention of the Corporate Secretary and such matters will be added to the agenda of the next regularly scheduled Board meeting.

In the event of a conflict of interest or where a potential conflict of interest may arise, involved directors will, unless the remaining directors resolve otherwise, withdraw from deliberations concerning the matter. The Board does not specify a maximum term for which a director may hold office.

The responsibility for the day-to-day operation and administration of the Corporation is delegated by the Board to the Senior Officers. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Senior Officers.

**CERTIFICATE OF THE CORPORATION**

DATED: September 27, 2012

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Corporation as required by the securities legislation of Alberta, British Columbia, Saskatchewan and Ontario.

*"Tom Drivas"*

---

**Tom Drivas**  
Chief Executive Officer

*"Michael D'Amico"*

---

**Michael D'Amico**  
Chief Financial Officer

**ON BEHALF OF THE  
BOARD**

*"Thomas Skimming"*

---

**Thomas Skimming**  
Director

*"Jack McOuat"*

---

**Jack McOuat**  
Director

**ON BEHALF OF THE  
CORPORATION'S PROMOTERS**

**Canada Enerco Corp.**

*"Tom Drivas"*

---

Per: Tom Drivas  
President

*"Anastasios (Tom) Drivas"*

---

**Anastasios (Tom) Drivas**