



POWERTECH URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009 and 2008

(Stated in United States Dollars)

AUDITORS' REPORT

To the Shareholders,
Powertech Uranium Corp.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Powertech Uranium Corp. (An Exploration Stage Company) as at March 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada
June 29, 2009

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
March 31, 2009 and 2008
(Stated in United States Dollars)

	<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current			Restated – Note 2
Cash and cash equivalents		\$ 5,724,561	\$ 2,009,155
Restricted cash – Note 3		567,842	803,618
GST receivable		27,305	23,172
Other receivable – Note 6		34,009	–
Deposits		24,659	104,752
Prepaid expenses		<u>112,904</u>	<u>62,972</u>
		6,491,280	3,003,669
Mineral properties – Note 3 and Schedule 1		34,587,815	32,498,115
Building and equipment – Note 4		<u>456,844</u>	<u>394,214</u>
		<u>\$41,535,939</u>	<u>\$ 35,895,998</u>
	<u>LIABILITIES</u>		
Current			
Accounts payable and accrued liabilities		\$ 1,325,271	\$ 1,404,969
Current portion of long-term debt – Note 8		<u>290,000</u>	<u>260,000</u>
		1,615,271	1,664,969
Long-term debt			
Agreements payable – Notes 3 and 8		895,286	983,818
Convertible note payable – Note 8		<u>5,039,568</u>	<u>–</u>
		<u>7,550,125</u>	<u>2,648,787</u>
	<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Note 5		50,831,518	41,851,318
Contributed surplus – Note 5		6,581,296	5,061,463
Equity portion of convertible debt – Note 8		2,363,211	–
Accumulated other comprehensive (loss) income		(5,004,102)	2,783,887
Deficit		<u>(20,786,109)</u>	<u>(16,449,457)</u>
		<u>33,985,814</u>	<u>33,247,211</u>
		<u>\$ 41,535,939</u>	<u>\$ 35,895,998</u>

Nature of Operations and Going Concern – Note 1
Commitments and Contingencies – Note 3 and 9
Subsequent Event – Note 5

APPROVED BY THE DIRECTORS:

“Richard F. Clement, Jr.” Director
Richard F. Clement, Jr.

“Thomas Doyle” Director
Thomas Doyle

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended March 31, 2009 and 2008
(Stated in United States Dollars)

	<u>2009</u>	<u>2008</u> Restated – Note 2
General and administrative expenses		
Accretion – Note 8	\$ 145,238	\$ 41,761
Amortization and depreciation	213,464	86,939
Audit and accounting fees	76,476	53,350
Community and media relations	181,901	325,091
Director fees – Note 6	31,716	32,329
Filing fees	75,069	196,891
Foreign exchange (gain)	(434,316)	(245,330)
Insurance	98,202	111,986
Investor relations and promotion	207,340	289,946
Legal fees	325,806	213,740
Management and consulting fees – Note 6	517,062	620,372
Office and miscellaneous	638,513	547,683
Transfer agent fees	13,466	17,808
Travel and accommodation	333,801	189,678
Wages and benefits – Notes 5 and 6	<u>1,889,476</u>	<u>1,346,321</u>
Loss before other	4,313,214	3,828,565
Other		
Interest income	(73,591)	(394,771)
Interest expense	<u>97,029</u>	<u>–</u>
Net loss for the year	4,336,652	3,433,794
Deficit, beginning of the year	16,449,457	13,644,723
Change in accounting policy – Note 2	<u>–</u>	<u>(629,060)</u>
Deficit, end of the year	<u>\$ 20,786,109</u>	<u>\$ 16,449,457</u>
Basic and diluted loss per share	<u>\$ 0.09</u>	<u>\$ 0.07</u>
Weighted average number of shares outstanding	<u>50,838,022</u>	<u>46,307,318</u>

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
AND ACCUMULATED OTHER COMPREHENSIVE LOSS
for the years ended March 31, 2009 and 2008
(Stated in United States Dollars)

	<u>2009</u>	<u>2008</u> Restated – Note 2
<u>Statements of Comprehensive Loss</u>		
Net loss for the period	\$ 4,336,652	\$ 3,433,794
Other comprehensive loss (income)		
Foreign exchange adjustment on change in reporting currency (Note 2)	<u>7,787,989</u>	<u>(3,828,487)</u>
Comprehensive loss (income)	<u>\$ 12,124,641</u>	<u>\$ (394,693)</u>
 <u>Statements of Accumulated Other Comprehensive Loss</u>		
Balance, beginning of year	\$ (2,783,887)	\$ 1,044,600
Other comprehensive loss (income)	<u>7,787,989</u>	<u>(3,828,487)</u>
Balance, end of year	<u>\$ 5,004,102</u>	<u>\$ (2,783,887)</u>

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended March 31, 2009 and 2008
(Stated in United States Dollars)

	<u>2009</u>	<u>2008</u> Restated – Note 2
Operating Activities		
Net loss for the year	\$ (4,336,652)	\$ (3,433,794)
Items not affecting cash:		
Accretion	145,238	41,761
Depreciation and amortization	213,464	86,939
Foreign exchange	(434,316)	(222,905)
Stock based compensation	<u>917,920</u>	<u>744,115</u>
	(3,494,346)	(2,783,884)
Net change in non-cash working capital balances:		
GST receivable	(4,146)	(1,010)
Other receivables	(42,839)	(3,154)
Deposits	67,765	(12,382)
Prepaid expenses	(68,085)	14,180
Accounts payable and accrued liabilities	<u>343,813</u>	<u>(12,238)</u>
Cash used in operations	<u>(3,197,838)</u>	<u>(2,798,488)</u>
Investing Activities		
Restricted cash	99,732	(514,239)
Mineral property interests	(8,279,020)	(10,893,076)
Building and equipment	<u>(305,346)</u>	<u>(382,357)</u>
Cash used in investing activities	<u>(8,484,634)</u>	<u>(11,789,672)</u>
Financing Activities		
Long-term debt	7,449,700	(260,000)
Issuance of common shares, net of issuance costs	<u>8,980,200</u>	<u>4,885,332</u>
Cash provided by financing activities	<u>16,429,900</u>	<u>4,625,332</u>
Foreign exchange (loss) gain on cash	(1,032,022)	1,823,793
Increase (decrease) in cash during the year	3,715,406	(8,139,035)
Cash and cash equivalents, beginning of the year	<u>2,009,155</u>	<u>10,148,150</u>
Cash and cash equivalents, end of the year	<u>\$ 5,724,561</u>	<u>\$ 2,009,155</u>
Cash and cash equivalents consists of:		
Cash	\$ 120,053	\$ 32,977
Term deposits	<u>5,604,508</u>	<u>1,976,178</u>
	<u>\$ 5,724,561</u>	<u>\$ 2,009,155</u>
Supplementary disclosure of cash flow information		
Interest paid	\$ 23,651	\$ –
Taxes paid	\$ –	\$ –
Non-cash Transactions – Notes 3 and 7		

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
 (An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
 for the years ended March 31, 2009 and 2008
 (Stated in United States Dollars)

	<u>South Dakota</u>	<u>Wyoming</u>	<u>Colorado</u>	<u>New Mexico</u>	<u>Other</u>	<u>Total</u>
Balance, March 31, 2007	\$ 13,475,435	\$ 1,977,116	\$ 4,965,315	\$ 201,206	\$ 138,072	\$ 20,757,144
Currency translation – Note 2	<u>(1,812,446)</u>	<u>(265,922)</u>	<u>(667,835)</u>	<u>(27,062)</u>	<u>(18,571)</u>	<u>(2,791,836)</u>
Balance, March 31, 2007	\$ 11,662,989	\$ 1,711,194	\$ 4,297,480	\$ 174,144	\$ 119,501	\$ 17,965,308
Acquisition costs	–	–	748,111	–	–	748,111
Land services	59,227	95,908	74,145	–	39,497	268,777
Legal fees	67,389	24,210	381,919	–	2,654	476,172
Claims maintenance	76,561	146,212	–	26,753	–	249,526
Lease payments	176,043	374,736	626,082	–	18,836	1,195,697
Drilling/ Engineering	1,615,259	637,955	173,766	–	–	2,426,980
Permitting	1,907,107	11,372	3,503,153	–	–	5,421,632
Wages/consulting – Note 6	669,661	376,765	559,579	32,475	36,449	1,674,929
Currency translation – Note 2	<u>1,420,833</u>	<u>186,840</u>	<u>428,439</u>	<u>21,410</u>	<u>13,461</u>	<u>2,070,983</u>
Balance, March 31, 2008	17,655,069	3,565,192	10,792,674	254,782	230,398	32,498,115
Acquisition – Notes 3 and 8	485,039	979,293	–	–	99,832	1,564,164
Transfer – Note 3	317,902	(83,209)	–	(234,693)	–	–
Land services	20,447	–	89,696	–	–	110,143
Legal fees	161,551	–	331,807	–	–	493,358
Claims maintenance	45,849	130,116	–	–	20,561	196,526
Lease payments	158,817	102,337	162,184	–	2,138	425,476
Drilling/ Engineering	707,862	–	607,861	–	–	1,315,723
Exploration	1,893	7,418	–	–	–	9,311
Geological Services	20,359	–	38,333	–	–	58,692
Permitting	2,484,006	3,648	1,661,978	–	–	4,149,632
Wages/consulting – Note 6	1,288,947	–	838,478	–	–	2,127,425
Currency translation – Note 2	<u>(3,986,922)</u>	<u>(1,626,215)</u>	<u>(2,579,944)</u>	<u>(20,089)</u>	<u>(147,580)</u>	<u>(8,360,750)</u>
Balance, March 31, 2009	<u>\$ 19,360,819</u>	<u>\$ 3,078,580</u>	<u>\$ 11,943,067</u>	<u>\$ –</u>	<u>\$ 205,349</u>	<u>\$ 34,587,815</u>

SEE ACOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009 and 2008

Note 1 Nature of Operations and Going Concern

The Company was incorporated in British Columbia on February 10, 1984. The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") and the Frankfurt Stock Exchange. The Company's business is the exploration and development of uranium properties located in South Dakota, Wyoming, Colorado and New Mexico, USA.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain reserves that are economically recoverable. The success of the Company and the recoverability of the amount shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of the reserves, and upon future profitable production or proceeds from disposition of the properties. The Company's success is subject to a number of risks including environmental risks, contractual risks, legal and political risks, fluctuations in the price of minerals and other factors beyond the Company's control.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2009, the Company had not yet achieved profitable operations, had a deficit of \$20,786,109 and working capital of \$4,876,009 which may not be sufficient to sustain operations over the foreseeable future and expects to incur further losses in the development of its business, all of which casts doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to develop its mineral properties and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. References to "CAD\$" refer to Canadian currency and "\$" to United States currency. The consolidated financial statements have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at year end and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to impairment of mineral properties, building and equipment, determination of fair values of financial instruments, the fair value for stock-based compensation, the provision for income taxes and composition of income tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining properties, the anticipated costs of reclamation and closure cost obligations and the market interest rates used in fair valuing the liability component of the convertible debenture.

Note 2 Significant Accounting Policies – (cont'd)

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Powertech (USA) Inc., a South Dakota corporation. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits, bankers' acceptances with major Canadian banks, guaranteed investment certificates, certificates of deposits and money market accounts. These investments are easily convertible to cash and have maturities of 12 months or less when purchased. Cash and cash equivalents are classified as held for trading and carried at fair value.

Restricted Cash

Restricted cash consists of deposits held for collateral pursuant to irrevocable letters of credit and/or bonds provided to State authorities in connection with mineral property activities as well as the balance of \$25,756 in restricted funds that is used to secure corporate credit card.

Mineral Properties

The Company capitalizes the costs of acquiring, maintaining its interest, exploring and developing mineral properties. The accumulated costs including applicable exploration expenses relative to non-productive mineral properties that the Company abandons interest in are written off. Otherwise, the accumulated costs are depleted over the estimated useful lives of the producing mineral properties on a method relating recoverable reserves to production.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying values of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Write-downs due to impairment in value are charged to operations. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Building and Equipment

Equipment is recorded at cost. Amortization is provided using the double declining balance method at 40% per annum over a five year useful life for computer, field and office equipment and vehicles.

Buildings are recorded at cost. Depreciation is recording using the straight-line method over a 40 year useful life

Impairment of Long-lived Assets

Long-lived assets and intangibles held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that the Company expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition are estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized and is measured as the excess of the carrying value of the asset over its fair value. Management believes there has been no impairment of the Company's long-lived assets as of March 31, 2009 and 2008.

Note 2 Significant Accounting Policies – (cont'd)

Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in Depreciation and Amortization expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. Generally, the timing of these accruals coincides with the earlier of the completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts. The Company has determined that there are no asset retirement obligations at March 31, 2009 and 2008.

Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis 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 more likely than not to be realized.

Stock-Based Compensation

The fair value of all stock-based compensation awards granted is expensed with a corresponding increase to contributed surplus. Compensation expense for employees is generally amortized using the straight-line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period. Compensation for non-employees is re-measured at each balance sheet date until the earlier of the vesting date or the date of completion of the service.

Upon exercise of the awards, the related amount of stock based compensation previously expensed is transferred from contributed surplus and together with consideration received, is recorded as share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate. See Note 5 for discussion of the Company's stock option plan

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding does not include performance escrow shares but does include time-release escrow shares. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Common equivalent shares (consisting of shares issuable on the exercise of share purchase options and warrants and on conversion of debts (Note 5 and 8) totalling 37,600,000 (2008: 6,175,000) were excluded in the computation of diluted loss per share because the effect was anti-dilutive

Note 2 Significant Accounting Policies – (cont'd)

Measurement and Reporting Currency

On April 1, 2008, the Company changed its reporting currency from Canadian dollars (CAD) to United States dollars (USD) as this currency is more appropriate for the Company's investors and other users of the financial statements. In making this change, the Company has followed recommendations of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA"), set out in EIC-130, "Translation Method When The Reporting Currency Differs From The Measurement Currency or There is a Change in The Reporting Currency".

Financial statements for all period presented have been translated from Canadian dollars into United States dollars using the current rate method, based on EIC-130 recommendations. Using this method, all consolidated assets and liabilities have been translated using the exchange rate at the balance sheet dates, while shareholders' equity has been translated using the historical rates of exchange in effect on the dates of the corresponding transactions. Consolidated Statements of Operations and Deficit have been translated using the prevailing average exchange rate for the period, except for equity transactions which have been translated using the historical rates of exchange in effect at the dates of the corresponding transactions. Any resulting exchange rate differences due to this translation are included in shareholders' equity as accumulated other comprehensive income. All comparative financial information being presented has been restated to reflect the Company's financial statements as if they have been historically reported in United States dollars and this resulted in an accumulated other comprehensive income adjustment of \$1,044,600.

Foreign Currency Translation

The Company's functional currency is CAD dollars. Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

Financial instruments

Financial assets and financial liabilities, including derivatives, are measured at fair value on initial recognition and recorded on the balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments, including embedded derivatives, are measured at fair value. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

The disclosure of the Company financial instruments is further described in Note 12.

The adoption of this standard in March 31, 2008 year end resulted in a decrease of the opening deficit at April 1, 2007 of \$629,060 (CAD\$644,064) and a decrease to the agreements payable of \$629,060 (CAD\$644,064). See Note 8.

Note 2 Significant Accounting Policies – (cont'd)

Comprehensive loss

Comprehensive loss comprises the Company's net loss and other comprehensive loss. Comprehensive loss includes currency translation adjustments on its change in reporting currency from CAD to USD.

Recently Adopted Accounting Policies

The CICA has issued the following new Handbook sections which the Company adopted as at April 1, 2008:

- i) Section 3862 – “Financial Instruments — Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included disclosures recommended by this section in Note xx to these financial statements.
- ii) Section 3863 – “Financial Instruments — Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 “Financial Instruments — Disclosure and Presentation”.
- iii) Section 1535 – “Capital Disclosures”, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by this section in Note 12 to these financial statements.

Future Accounting Changes

- i) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency, certain contractual arrangements, debt covenants and capital requirements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a successful conversion.

Note 2 Significant Accounting Policies – (cont'd)

Future Accounting Changes – (cont'd)

- ii) In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, “Revenues and Expenses During the Pre-operating Period”. As a result of the withdrawal of EIC-27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The Company is in the process of evaluating the impact of this new standard for adoption on January 1, 2009.
- (iii) Section 1582, Business Combinations, which replaces 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.

Sections 1601 and 1602 together replace former Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602, which converges with the requirements of International Accounting Standard 27 (“IAS 27”), *Consolidated and Separate Financial Statements*, establishes standards for accounting of a non-controlling interest resulting from a business acquisition, recognized as a distinct component of shareholders’ equity. Net income or loss will present the allocation between the controlling and non-controlling interests.

For the Company, these three standards will become effective for business combinations for which the acquisition date is on or after April 1, 2011, and for interim and annual consolidated financial statements relating to the fiscal year starting April 1, 2011. As Section 1582 is applicable only to future business combinations, the Company does not expect these new standards to have a material impact on the Company’s consolidated financial statements prior to such acquisitions.

Note 3 Mineral Properties

South Dakota, USA

Dewey Burdock Project – Custer and Fall River Counties

The Company’s Dewey-Burdock Project is located in the well-known Edgemont Uranium District. The Project is comprised of approximately 50 mining leases and approximately 360 mining claims covering approximately 14,770 surface acres and 18,820 net mineral acres.

By a purchase agreement dated March 31, 2006, the Company acquired a one-third mineral interest in a property in Custer County, South Dakota, in consideration for \$950,000 to be paid \$100,000 on closing and \$10,000 per year for ten years until March 31, 2016. The balance of the purchase price of \$750,000 is payable contingent upon receipt of permits and authorizations necessary to commence exploration and mining on the property and therefore not recorded as a liability until the contingent events are satisfied. The \$750,000 is to be paid in four equal instalments of \$187,500 on each anniversary of the Company obtaining such permits. The purchase agreement is secured by a promissory note and a mortgage on the mineral interest. See Note 8.

The Company has received an exploration permit from the South Dakota Department of Environmental and Natural Resources but requires additional permits and authorization prior to commencing and mining on the property. In addition, the Company has established a \$500,000 standby letter of credit facility with Wells Fargo Bank (“Wells Fargo”). Wells Fargo will issue

Note 3 Mineral Properties

South Dakota, USA

Dewey Burdock Project – Custer and Fall River Counties – (cont'd)

irrevocable letters of credit to secure the Company's reclamation obligations associated with its drilling programs. Wells Fargo has issued the first letter of credit under the facility to the South Dakota Department of Environment and Natural Resources in the amount of \$213,400 in connection with the exploration permit. This letter of credit was secured by a certificate of deposit in the amount of \$235,000 which was included in restricted cash at March 31, 2008. During the year ended March 31, 2009, certain reclamation activities were performed on the property which resulted in releasing \$213,400 from restricted cash. As at March 31, 2009, restricted cash is \$21,600 (2008: \$235,000) on this property. The entire facility is guaranteed by the Company.

During May 2008, the Company entered into a Purchase Agreement to acquire a two-thirds mineral interest in a property in Custer County, South Dakota, in consideration for \$1,900,000 to be paid \$300,000, on closing less \$151,470 for amounts already paid under a mining lease, and \$30,000 per year for ten years until May 2018. The balance of the purchase price of \$1,300,000 is contingent upon receipt of permits and authorizations necessary to commence exploration and mining on the property and therefore not recorded as a liability until the contingent events are satisfied. The \$1,300,000 is to be paid in four equal instalments of \$325,000 on each anniversary of the Company obtaining such permits. The purchase agreement is secured by a promissory note and a mortgage on the mineral interest. See Note 8.

During December 2008, the Company acquired additional lands in South Dakota and Wyoming from Bayswater Uranium Corporation ("Bayswater"). The land package consists of 381 mining claims and 8,186 acres of Wyoming State mining leases for a total 15,806 acres. The Company paid \$50,000 at closing and has committed to Bayswater to maintain all properties for a full year. On any property to be abandoned, the Company will give Bayswater a 90-day notice in accordance with its right to reacquire the property. Bayswater will retain a Yellowcake Royalty on all properties ranging from 1-5%, depending on underlying royalty agreements inherited, to a maximum of 7% burden to the Company.

There are a total of 59 located claims (1,180 acres) in Fall River and Custer Counties South Dakota, of which 37 claims (740 acres) are either within or adjacent to the Company's Dewey Burdock project.

Plum Creek Prospect, Fall River County

The Company has staked 164 mining claims on approximately 3,000 acres of federal minerals along the southern flank of the Black Hills Uplift in central Fall River County, South Dakota.

Colorado, USA

Centennial Project – Weld County

Since inception of the Centennial Project, the Company has purchased approximately 670 gross surface acres and 5,800 net mineral acres. In addition, the Company has entered into 14 mining leases covering approximately 1,700 net surface acres and 1,200 net mineral acres. As of June 2009, the Company's mineral rights within the project area total 7,320 acres. Surface use agreements with private surface owners are continually being negotiated. To date, the Company has obtained 3,677 acres of surface use agreements over its mineral rights. These transactions were completed as follows:

Note 3 Mineral Properties – (cont'd)

Colorado, USA – (cont'd)

Centennial Project – Weld County – (cont'd)

- a) By a purchase agreement dated September 27, 2006, the Company purchased 5,760 net mineral acres from Anadarko Land Corp for \$3,000,000. As consideration for the rights, the Company made a cash payment of \$1,000,000 and agreed to pay \$2,000,000 in eight instalments of \$250,000 per annum (See Note 8). An additional lump sum payment of \$1,500,000 is due upon receipt of all regulatory permits and licenses allowing production of uranium from the property. In addition, any remaining instalment payments are due in full upon receipt of all regulatory permits and licences. The Company has also agreed to a minimum annual work commitment of \$200,000 per annum until uranium is produced from the property. The property is subject to a royalty of 5% to 6% of production.
- b) During the year ended March 31, 2007, the Company also acquired surface acreage through direct acquisitions of land as part of the Company's overall program to secure surface rights on the prospects. The total consideration for the land purchases was \$850,000 and is included as capitalized costs in mineral property interests.
- c) During the year ended March 31, 2008, the Company acquired 350 acres of surface rights through six acquisitions of land as part of the Company's overall program to secure surface rights on the prospects. The total consideration for the transaction was \$1,294,899 and is included as capitalized costs in mineral property interests.
- d) Through the year ended March 31, 2009, the Company entered into 15 mining leases covering 1,720 net surface acres and 1,250 net mineral acres.

The Company posted cash security of \$492,800 with the Colorado Division of Reclamation, Mining and Safety, "DRMS", to secure performance of the Company's reclamation obligations. This amount is included in restricted cash at March 31, 2009.

Wyoming, USA

The Company's Wyoming prospects are comprised of approximately 50 mining leases or options to lease covering approximately 9,000 net surface acres and 20,000 net mineral acres. In addition, the Company has staked approximately 1,200 mining claims in Wyoming covering approximately 21,000 acres. The Company obtained the prospects as follows:

Aladdin Prospect – Crook County

The Company acquired the Aladdin prospect through 33 leases or options to lease and through staking 65 mining claims. This prospect is 60 miles north of the Company's Dewey Terrace prospect, discussed below, and consists of approximately 17,800 mineral acres and 17,600 surface acres of mining leases in a historic uranium exploration/mining area along the northwest flank of the Black Hills Uplift. In this area, uranium mineralization has been encountered in the same sandstones that contain uranium deposits in Powertech's Dewey Burdock Project and Dewey Terrace Prospect along the southern flank of the Black Hills Uplift in South Dakota and Wyoming respectively.

The Company received an exploration permit from the Wyoming Department of Environmental Quality ("DEQ"). In connection with the Company's Aladdin Prospect drilling and exploration programs, the Company, through its wholly owned subsidiary, Powertech (USA) Inc., established a \$500,000 standby letter of credit facility with Wells Fargo. Wells Fargo issued an Irrevocable Letter of Credit under the facility to the Wyoming Department of Environmental Quality for \$140,010 in connection with the exploration permit. The Irrevocable Letter of Credit is secured

with a Wells Fargo Certificate of Deposit for \$155,000, which was included in restricted cash for the year ended

Note 3 Mineral Properties – (cont'd)

Wyoming, USA – (cont'd)

Aladdin Prospect – Crook County– (cont'd)

March 31, 2008. During the year ended March 31, 2009, certain reclamation activities were performed on the property which resulted in releasing the \$145,000 from restricted cash. As at March 31, 2009, restricted cash is \$10,000 (2008: \$155,000) on this property. The entire facility is guaranteed by the Company.

In December 2008, the Company acquired a land package, as described in more details above in the South Dakota mineral property section, consisting of seven Wyoming State mining leases in Crook County, Wyoming totalling 5,626 acres, which are included in the above referenced amount. These properties are either adjoining, on trend, or complementary to the Company's Aladdin prospect.

Dewey Terrace Prospect – Weston and Niobrara Counties

The Dewey Terrace Prospect is located in Weston and Niobrara Counties, Wyoming on the western continuation of mineralized trends from the Dewey Burdock Project in South Dakota. Powertech acquired this prospect through staking 750 mining claims, totalling approximately 17,500 acres.

In connection with the exploration and drilling program, the Company posted cash security in the amount of \$17,400 with the State of Wyoming to secure performance of the Company's reclamation obligations. This amount is included in restricted cash at March 31, 2009.

The Company acquired approximately 320 mining claims (approximately 6,400 acres) and four Wyoming State mining leases (2,560 acres) from Bayswater, which are included in the above referenced amount. These properties are adjacent to the Company's current land position in this prospect area. These properties are either adjoining, on trend, or complementary to the Company's Dewey Terrace prospect.

Colony Prospect – Crook County

The Colony Prospect is located on the northwest flank of the Black Hills Uplift approximately 10 miles north of the Aladdin Prospect. The Company acquired the Colony prospect through the staking of 190 mining claims.

Powder River Basin Prospect – Campbell County

The Company acquired the Powder River Basin prospect through staking 135 mining claims.

Shirley Basin Prospect – Carbon County

In connection with the Neutron property exchange discussed above, during January 2009, the Company disposed of its interest in Shirley Basin, which was comprised of 1,656 acres of claims and leases.

Data acquisitions

By a purchase agreement dated August 9, 2006, the Company acquired a historical geological database related to its South Dakota and Wyoming properties. As consideration for the database, the Company paid CAD\$112,690 (US\$100,000) and issued 200,000 common shares at CAD\$1.30 per share.

Note 3 Mineral Properties – (cont'd)

Data acquisitions – (cont'd)

By a purchase agreement dated December 18, 2006, the Company acquired a historical geological database related to its Wyoming properties. As consideration for the database, the Company agreed to pay CAD\$1,000,000, payable in cash or common shares at the Company's option as follows:

- CAD\$300,000 on signing (payment was satisfied by the issuance of 139,534 common shares at \$2.15 per share);
- CAD\$300,000 on or before March 1, 2007 (payment was satisfied by the issuance of 73,350 common shares at \$4.09 per share); and
- CAD\$400,000 on or before July 1, 2007 (payment was satisfied by the issuance of 140,022 common shares at \$2.86 per share).

These costs have been capitalized to the related mineral properties.

Property transfer

During January 2009, the Company entered into an Agreement ("Agreement") with Neutron Energy Inc. ("Neutron") to exchange some of the Company's properties located in New Mexico, Wyoming, and South Dakota for acreage located within and adjacent to the Company's Dewey-Burdock project in South Dakota.

The acreage acquired from Neutron consists of approximately 1,620 acres of claims and leases within Powertech's proposed permit area and an additional 4,380 acres of prospective claims and leases outside of Powertech's initial proposed permit area but adjacent to the Dewey-Burdock project.

The terms of the Agreement provide for the retention of a 30% net proceeds interest by Neutron from future production on the acquired acreage and Powertech will be the operator. As additional consideration, Powertech transferred to Neutron approximately 360 acres of claims and leases, along with associated historical drilling data, in South Dakota. This acreage is located several miles away from Powertech's Dewey-Burdock project area and is surrounded by properties staked by Neutron. Powertech will also transfer approximately 4,056 acres of claims in the Ambrosia Lake District of New Mexico and approximately 1,656 acres of claims and leases in the Shirley Basin of Wyoming. The Company assessed the transfer of properties as a non-monetary transaction measured at the carrying amount of these mineral properties given up. There was no additional monetary consideration received or given up.

Reclamation bonding

During the year ended March 31, 2009, the Company completed certain reclamation activities on its Aladdin prospect in Crook County, Wyoming which resulted in \$145,000 released from the Wyoming Department of Environmental Equality. Additional reclamation activities were completed at the Dewey-Burdock Project which resulted in \$213,400 released from the South Dakota Department of Environmental and Natural Resources.

The Company secured reclamation liabilities associated with drilling activities at its Centennial Project by payment of \$122,400 to Colorado Mined Land Reclamation Board.

Note 4 Building and Equipment

	<u>At March 31, 2009</u>			<u>At March 31, 2008</u>		
	Accumulated			Accumulated		
	<u>Cost</u>	<u>Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Amortization</u>	<u>Net</u>
					n	
					Restated – Note 2	
Building	\$ 102,773	\$ 1,706	\$ 101,067	\$ 102,773	\$ 857	\$ 101,916
Computer equipment	195,302	79,853	115,449	119,773	23,959	95,814
Field equipment	238,364	72,108	166,256	41,529	5,362	36,167
Office equipment	72,379	21,287	51,092	39,396	8,174	31,222
Vehicles	189,303	113,583	75,720	189,303	63,104	126,199
Currency translation	<u>(78,787)</u>	<u>(26,047)</u>	<u>(52,740)</u>	<u>12,149</u>	<u>9,253</u>	<u>2,896</u>
	<u>\$ 719,334</u>	<u>\$ 262,490</u>	<u>\$ 456,844</u>	<u>\$ 504,923</u>	<u>\$ 110,709</u>	<u>\$ 394,214</u>

Note 5 Share Capital and Contributed Surplus

Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Common shares issued:

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, March 31, 2007	44,898,999	\$ 36,019,786	\$ 4,635,384
Issued for cash:			
- pursuant to exercise of warrants (a)	750,000	660,075	–
- pursuant to exercise of warrants (b)	180,000	181,275	–
- pursuant to exercise of warrants (c)	3,459,999	4,043,982	–
Issued for assets:			
- acquisition of uranium database (d)	140,022	374,120	–
Stock-based compensation	–	–	998,159
Black-Scholes valuation on exercise of warrants (a)	–	<u>572,080</u>	<u>(572,080)</u>
Balance, March 31, 2008	<u>49,429,020</u>	<u>41,851,318</u>	<u>5,061,463</u>
Issued for cash:			
- pursuant to private placement agreement (e)	6,000,000	8,980,200	–
Stock-based compensation	–	–	1,519,833
Balance, March 31, 2009	<u>55,429,020</u>	<u>\$ 50,831,518</u>	<u>\$ 6,581,296</u>

Share Capital Discussion:

For the year ended March 31, 2008

- a) On May 11, 2006, the Company closed the acquisition of 119 mineral claims situated in South Dakota, USA. In connection with the terms of the agreement, the Company issued to the vendor 1,000,000 common shares valued at CAD\$1.00 per share and 1,250,000 share purchase warrants entitling the vendor to purchase one additional common share for each warrant held at CAD\$1.00 per share until May 11, 2007.

During the year ended March 31, 2008, the outstanding 750,000 warrants were exercised for proceeds of \$660,075 (CAD\$750,000). Per the Company's accounting policy, on exercise of these warrants, \$572,080 (CAD\$655,003) representing the fair value of the warrants was transferred from contributed surplus to share capital.

Note 5 Share Capital and Contributed Surplus – (cont'd)

Share Capital Discussion – (cont'd)

- b) On April 19, 2006, the Company closed a private placement of 300,000 units at CAD\$0.95 per unit for proceeds of \$249,090 (CAD\$285,000). Each unit consisted of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share at CAD\$1.15 per share for one year. During the year ended March 31, 2008, 180,000 warrants were exercised for proceeds of \$181,275 (CAD\$207,000)
- c) On May 11, 2006, the Company closed a brokered private placement of 12,000,000 units at CAD\$1.00 per unit. Each unit consisted of one common share and one-half a share purchase warrant, with each whole warrant entitling the holder thereof to purchase an additional common share at CAD\$1.30 per share for one year. The Company paid the agent a commission of CAD\$190,248 (\$172,935) and 649,752 units. In addition, the Company issued 1,080,000 agent's options. Each agent's option entitled the agent to purchase one common share for each option held at CAD\$1.20 for one year. During the year ended March 31, 2008, 3,459,999 warrants or 6,919,998 one-half share purchase warrants were exercised for proceeds of \$4,043,982 (CAD\$4,498,000)
- d) On December 18, 2006, the Company acquired a historical geological database related to its Wyoming properties. As consideration for the acquisition of this database, the Company agreed to pay \$864,000 (CAD\$1,000,000), payable in cash or common shares, at the Company's option as follows:

\$259,200 (CAD\$300,000) on signing (payment was satisfied by the issuance of 139,534 common shares valued at CAD\$2.15 per share);

\$256,410 (CAD\$300,000) on or before March 1, 2007 (payment was satisfied by the issuance of 73,350 common shares valued at CAD\$4.09 per share); and

\$374,120 (CAD\$400,000) on or before July 1, 2007 (payment was satisfied by the issuance of 140,022 common shares valued at CAD\$2.86 per share).

For the year ended March 31, 2009

- e) On June 4, 2008, the Company issued pursuant to a private placement agreement (the "Agreement") with Société Belge des Combustibles Nucléaires - Synatom S.A. ("Synatom") 6,000,000 units at a price of CAD\$1.50 per unit, for aggregate proceeds of CAD\$9,000,000 (\$8,980,200). Each unit consists of one common share and two share purchase warrants, with each warrant exercisable at an exercise price of CAD\$2.00 per share. The warrants, which are subject to certain anti-dilution provisions, were issued in two series as follows:

- the first series of 6,000,000 warrants may be exercised at any time until the earlier of: (i) 10 days following the day that the Company files certain specified permit applications for both the Centennial and the Dewey-Burdock projects of the Company (with a minimum duration of 6 months); and (ii) 12 months following the closing of the private placement (this series expired on June 4, 2009 unexercised); and
- the second series of 6,000,000 warrants may be exercised at any time until the earlier of: (i) 10 days following the day that the Company has obtained the permits required to construct and operate either the Centennial or the Dewey-Burdock project; and (ii) 24 months following the closing of the private placement.

The Company granted Synatom certain anti-dilution and pre-emptive rights that apply so long as Synatom continues to own no less than 15% of the outstanding shares (calculated on a non-diluted basis). In connection therewith, Synatom will, subject to any regulatory and applicable shareholder approval requirements, be entitled to: (i) maintain its rateable ownership of the

Note 5 Share Capital and Contributed Surplus – (cont'd)

Share Capital Discussion – (cont'd)

e) – (cont'd)

shares, if the Company proposes to issue any further Shares or any securities convertible into shares; and (ii) increase its ownership to 33.34% of the outstanding shares (calculated on a fully diluted basis) if, after the exercise of all of the warrants, Synatom owns less than 33.34% of the outstanding Shares (calculated on a fully diluted basis).

The Company granted Synatom certain governance rights that apply so long as Synatom owns not less than 10% of the outstanding shares (calculated on a non-diluted basis). In connection with these governance rights, Synatom has the right to nominate directors to the board of directors of the Company (and that of its wholly-owned subsidiary Powertech (USA), Inc.) in proportion to its then proportionate interest of shares and the Company will cause such individuals nominated to be elected or appointed to the Board.

In connection with the Agreement, in the event that the Company produces uranium for sale, the Company has also granted Synatom an option to purchase a certain quantity of uranium from time to time (based on Synatom's then percentage ownership interest in the Company) on the terms sold to third parties, exercisable so long as Synatom continues to own no less than 15% of the outstanding shares (calculated on a non-diluted basis).

At the close of the private placement, Synatom owned 10,890,000 shares (excluding shares issuable upon the exercise of the warrants or non-diluted basis) representing approximately 19.6% of the outstanding shares.

The Company received shareholder approval at a special meeting (the "Special Meeting") of shareholders of the Company held on July 15, 2008, for a special resolution (the "Special Resolution") approving the warrants and the pre-emptive rights granted to Synatom. In connection therewith, management of the Company, which owns or exercises direction or control over an aggregate of approximately 25% of the Shares (calculated on a non-diluted basis) voted their shares in favour of the Special Resolution. In addition, Synatom voted its holdings prior to the closing of the private placement of approximately 9.9% of the Company in favour of the Special Resolution. Synatom did not vote any of the Shares acquired in this transaction at the Special Meeting.

Management of the Company has entered into a Shareholders Agreement with the Company and Synatom regarding, among other things, mutual rights of first refusal on the sales of shares, subject to certain exceptions, and certain anti-dilution rights in favour of Synatom. Management of the Company have also agreed to remain in their current positions for a period of five years and to not-compete for a period of one year after they cease providing services to the Company.

On December 22, 2008, the Company entered into a Loan Agreement, pursuant to which Synatom has provided the Company with a bridge loan in the amount of CAD\$2,500,000 (the "Bridge Loan"). The Company has also entered into a Private Placement Agreement (the "Private Placement Agreement") with Powertech (USA) Inc. and Synatom pursuant to which Synatom has agreed to make a strategic investment of CAD\$9,000,000 by way of the purchase of a convertible debenture, subject to necessary shareholder approval at a meeting of shareholders called for that purpose. The Company intends to use the proceeds for working capital and to advance its mineral properties towards production.

The Bridge Loan bore interest at the rate of 7% per annum, had a maturity date of the earlier of: (i) January 31, 2010, and (ii) the date on which the Company completes a debt or equity

Note 5 Share Capital and Contributed Surplus – (cont'd)

Share Capital Discussion – (cont'd)

e) – (cont'd)

financing of not less than CAD\$5,000,000, and was secured by a floating charge over all of the Company's and its subsidiaries' present and after acquired property and assets.

Under the terms of the Private Placement Agreement, at closing, the Company issued a convertible debenture to Synatom in the principal amount of CAD\$9,000,000 (the "Debenture"). It was a condition of closing of the Debenture that the Bridge Loan was repaid.

The Debenture bears interest at the rate of 7% per annum, to be compounded annually and has a maturity date of December 19, 2011. The Debenture is convertible into the Company's common shares (the "Common Shares") at a fixed conversion price of CAD\$0.50 per Common Share (the "Conversion Price") in certain circumstances. The principal amount of the Debenture, plus accrued and unpaid interest thereon, may be converted (1) by the Company in the event that the Company has obtained all of the permits required to construct and operate either the Centennial or the Dewey-Burdock project; or (2) by Synatom at any time, provided that each conversion shall be a minimum of CAD\$100,000 of the principal amount of the Debenture, until (a) repayment in full by the Company of any outstanding principal and interest outstanding on the Debenture, or (b) conversion upon the request of the Company pursuant to (a) above.

Repayment of the Debenture is secured by all of the security granted by the Company and its subsidiaries in connection with the Bridge Loan. The closing of the Debenture transaction is subject to shareholder approval and other customary closing conditions.

The Conversion Price and the number of Common Shares issuable upon conversion of the Debenture are subject to customary anti-dilution adjustments in the event of a subdivision, consolidation or reclassification of the Common Shares or the issuance of Common Shares to shareholders as a stock dividend.

The Company has also agreed not to take certain corporate actions without the consent of Synatom until the earlier of: (i) the conversion of the entire Debenture into Common Shares in accordance with the terms and conditions of the Debenture; and (ii) the Maturity Date. These negative covenants are in addition to, and not in substitution of, the negative covenants of the Company agreed to in connection with the private placement in June 2008.

Escrow:

On August 23, 2007, the Company's shareholders approved the issuance of 1,700,000 common shares to certain officers of the Company for services rendered in connection with performance achievements. The shares were issued subject to an escrow agreement. In conjunction, the officers agreed to return to treasury 1,700,000 shares held in escrow subject to a performance agreement which were cancelled by the Company. These transactions did not result in any change in the number of shares outstanding or in the number of shares held by the officers and accordingly no value was recorded for the transaction.

In addition, on October 31, 2007, the Company announced that its common shares were approved for listing on the TSX. In connection with this listing, the 6,426,000 escrow shares outstanding at that date and subject to time-release agreements were retroactively converted from a time release period of three years to a time release period of 18 months. As a result, all of the 6,426,000 shares were eligible for immediate release as of November 12, 2007 and were released from escrow. These shares were held by four directors of the Company.

Note 5 Share Capital and Contributed Surplus – (cont'd)

Escrow – (cont'd)

The following is a summary of the Company's escrow transactions during the years ended March 31, 2009 and 2008:

<u>Balance at</u> <u>March 31,</u> <u>2007</u>	<u>Escrowed</u> <u>during the</u> <u>period</u>	<u>Released</u> <u>during</u> <u>the period</u>	<u>Cancelled</u> <u>during the</u> <u>period</u>	<u>Balance at</u> <u>March 31,</u> <u>2008</u>	<u>Released</u> <u>during</u> <u>the period</u>	<u>Balance at</u> <u>March 31,</u> <u>2009</u>
<u>9,732,500</u>	<u>1,700,000</u>	<u>(8,457,500)</u>	<u>(1,700,000)</u>	<u>1,275,000</u>	<u>(850,000)</u>	<u>425,000</u>

The remaining escrow shares at March 31, 2009 are to be released during July 2009.

Share Purchase Warrants:

At March 31, 2009, there were 12,000,000 share purchase warrants outstanding. Share purchase warrants entitled the holders thereof to purchase one common share for each warrant. At March 31, 2009, the weighted average life was 8.25 months and the weighted average exercise price was CAD\$2.00. Changes in share purchase warrants for the year ended March 31, 2009 are as follows:

<u>Expiration</u> <u>Date</u>	<u>Exercise</u> <u>Price (CAD)</u>	<u>Outstanding</u> <u>at March 31,</u> <u>2008</u>	<u>Issued</u> <u>during</u> <u>the period</u>	<u>Exercised/Expire</u> <u>d</u> <u>during</u> <u>the period</u>	<u>Outstanding at</u> <u>March 31,</u> <u>2009</u>
June 4, 2009* (e)	\$2.00	-	6,000,000	-	6,000,000
June 4, 2010 (e)	\$2.00	-	6,000,000	-	6,000,000
Totals		<u>-</u>	<u>12,000,000</u>	<u>-</u>	<u>12,000,000</u>

* Warrants expired unexercised subsequent to year end.

At March 31, 2008, there were nil share purchase warrants outstanding. Share purchase warrants entitled the holders thereof to purchase one common share for each warrant. Changes in share purchase warrants for the year ended March 31, 2008 is as follows:

<u>Expiration</u> <u>Date</u>	<u>Exercise</u> <u>Price</u>	<u>Outstanding</u> <u>at March 31,</u> <u>2007</u>	<u>Exercised</u> <u>during</u> <u>the period</u>	<u>Expired</u> <u>during</u> <u>the period</u>	<u>Outstanding at</u> <u>March 31,</u> <u>2008</u>
May 11, 2007 (a)	CAD\$1.00	750,000	(750,000)	-	-
April 19, 2007 (b)	CAD\$1.15	180,000	(180,000)	-	-
May 11, 2007 (c)	CAD\$1.30	<u>3,484,999</u>	<u>(3,459,999)</u>	<u>(25,000)</u>	<u>-</u>
Totals		<u>4,414,999</u>	<u>(4,389,999)</u>	<u>(25,000)</u>	<u>-</u>

Stock Option Plan:

The Company has a Stock Option Plan ("the Plan") under which it is authorized to grant share purchase options to directors, officers, consultants or employees of the Company. The Company is permitted to grant options under the Plan to a fixed number of 9,885,804 common shares which is equal to 20% of the issued and outstanding common shares at the date of Plan adoption. The exercise price of options granted under the Plan may not be less than the fair market value of the Company's common shares at the date the options are granted. Options granted under the Plan have

Note 5 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan – (cont'd)

a maximum life of five years. The Board of Directors specifies a vesting period on a grant-by-grant basis. All options are granted at exercise prices which are at or above the traded share price on grant date.

At March 31, 2009, there are 7,600,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Changes in share options are as follows:

<u>Expiration Date</u>	<u>Exercise Price (CAD)</u>	<u>Outstanding at March 31, 2008</u>	<u>Granted during period</u>	<u>Exercised during period</u>	<u>Forfeited during period</u>	<u>Outstanding at March 31, 2009</u>
May 11, 2011	\$1.00	3,025,000	–	–	–	3,025,000
July 19, 2011	\$1.30	200,000	–	–	–	200,000
August 1, 2011	\$1.30	100,000	–	–	–	100,000
August 9, 2011	\$1.30	200,000	–	–	(200,000)	–
October 5, 2011	\$1.80	100,000	–	–	–	100,000
February 15, 2012	\$3.00	400,000	–	–	–	400,000
May 14, 2012	\$3.20	125,000	–	–	–	125,000
June 15, 2012	\$2.60	100,000	–	–	(100,000)	–
August 30, 2012	\$1.50	900,000	–	–	–	900,000
September 4, 2012	\$1.60	150,000	–	–	–	150,000
October 31, 2012	\$2.15	75,000	–	–	–	75,000
January 14, 2013	\$1.50	400,000	–	–	–	400,000
February 7, 2013	\$1.00	400,000	–	–	–	400,000
June 18, 2013	\$1.50	–	1,600,000	–	–	1,600,000
August 11, 2013	\$1.50	–	125,000	–	–	125,000
Totals		<u>6,175,000</u>	<u>1,725,000</u>	<u>–</u>	<u>(300,000)</u>	<u>7,600,000</u>

As of March 31, 2009, 7,116,250 options have vested and are exercisable. The weighted average life of the stock options outstanding is 3.30 years. The weighted average exercise price of the stock options outstanding is CAD\$1.39.

Vesting period is determined by the Board of Directors at the time of the grant. Stock options granted under the Plan during the three months ended June 30, 2008 vested immediately while the stock options granted during the three months ended September 30, 2008 are subject to a vesting period.

Note 5 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan – (cont'd)

At March 31, 2008, there are 6,175,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Changes in share options are as follows:

<u>Expiration Date</u>	<u>Exercise Price (CAD)</u>	<u>Outstanding at March 31, 2007</u>	<u>Granted during period</u>	<u>Exercised during period</u>	<u>Forfeited during period</u>	<u>Outstanding at March 31, 2008</u>
May 11, 2011	\$1.00	3,025,000	–	–	–	3,025,000
July 19, 2011	\$1.30	200,000	–	–	–	200,000
August 1, 2011	\$1.30	100,000	–	–	–	100,000
August 9, 2011	\$1.30	200,000	–	–	–	200,000
October 5, 2011	\$1.80	100,000	–	–	–	100,000
January 25, 2012	\$2.80	100,000	–	–	(100,000)	–
February 15, 2012	\$3.00	400,000	–	–	–	400,000
May 14, 2012	\$3.20	–	125,000	–	–	125,000
June 15, 2012	\$2.60	–	100,000	–	–	100,000
August 30, 2012	\$1.50	–	1,040,000	–	(140,000)	900,000
September 4, 2012	\$1.60	–	150,000	–	–	150,000
October 31, 2012	\$2.15	–	75,000	–	–	75,000
January 14, 2013	\$1.50	–	400,000	–	–	400,000
February 7, 2013	\$1.00	–	400,000	–	–	400,000
Totals		<u>4,125,000</u>	<u>2,290,000</u>	<u>–</u>	<u>(240,000)</u>	<u>6,175,000</u>

As of March 31, 2008, 4,760,000 options have vested and are exercisable. The weighted average life of the stock options outstanding is 3.99 years. The weighted average exercise price of the stock options outstanding is CAD\$1.37.

Vesting period is determined by the Board of Directors at the time of the grant. Stock options granted during the three months ended June 30, 2007 vested immediately while all other stock options granted during the year ended March 31, 2008 were subject to a vesting period.

Stock-based Compensation:

During the year ended March 31, 2009 stock-based compensation was \$1,519,833 (2008: \$998,159) of which \$917,920 (2008: \$744,115) was included in wages and benefits and \$601,913 (2008: \$254,044) was included in mineral property costs under wages/consulting.

The fair value of each option granted by the Company was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions:

Granted during the year ended March 31, 2009

<u>Grant Date</u>	<u>Exercise Price CAD</u>	<u>Number</u>	<u>Fair Value CAD</u>	<u>Dividend Yield</u>	<u>Expected Volatility</u>	<u>Risk-free Interest Rate</u>	<u>Expected Life (Yrs)</u>
June 18, 2008	\$1.50	1,600,000	\$0.60	–	65%	3.57%	5
August 11, 2008	\$1.50	125,000	\$0.45	–	67%	3.27%	5
Weighted averages	\$1.50		\$0.59				

Note 5 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan – (cont'd)

Granted during the year ended March 31, 2008:

<u>Grant Date</u>	<u>Exercise Price (CAD)</u>	<u>Number</u>	<u>Fair Value (CAD)</u>	<u>Dividend Yield</u>	<u>Expected Volatility</u>	<u>Risk-free Interest Rate</u>	<u>Expected Life (Yrs)</u>
May 14, 2007	\$3.20	125,000	\$1.55	–	54%	4.61%	5
June 15, 2007	\$2.60	100,000	\$1.18	–	55%	5.10%	5
August 30, 2007	\$1.50	1,040,000	\$0.83	–	61%	4.25%	5
September 30, 2007	\$1.60	150,000	\$0.91	–	61%	4.25%	5
October 31, 2007	\$2.15	75,000	\$1.25	–	65%	4.16%	5
January 14, 1008	\$1.50	400,000	\$0.70	–	56%	3.08%	5
February 7, 2008	\$1.00	400,000	\$0.40	–	56%	2.79%	5
Weighted averages	\$1.58		\$0.81				

Note 6 Related Party Transactions

The Company incurred the following transactions with directors and officers of the Company or with companies with directors and officers in common:

	Years Ended March 31,	
	2009	2008
		Restated – Note 2
Director fees	\$ 31,716	\$ 32,329
Management and consulting fees	517,062	507,265
	<u>\$ 548,778</u>	<u>\$ 539,594</u>

These charges were measured by the exchange amount which is the amount agreed on by the transacting parties.

Note 7 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions are calculated from the statements of cash flows:

- (a) The property transfer, discussed in Note 3, was excluded from the statements of cash flows for the year ended March 31, 2009:
- (b) During the year ended March 31, 2008 the Company acquired a historical geological database by the issue 140,025 common shares valued at CAD\$2.86 per share. The value of the shares issued was determined by their market value when issued.
- (c) Included in mineral properties cost is stock-based compensation valued at \$604,140 (2008: \$251,817) relating to employees who directly involved with the mineral properties.
- (d) Included in accounts payable and accrued liabilities is approximately \$1,032,000 (2008: \$1,200,000) relating to mineral properties.

Note 8 Long-term Debt

Agreements payable

Agreement payable of \$100,000, payable in annual instalments of \$10,000 of which \$30,000 (2008: \$20,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest (Note 3). In the event of default the lender has the option to obtain the mineral property interest for \$1.

	<u>2009</u>		<u>2008</u>
	\$ 70,000	\$	80,000

Agreement payable of \$300,000, payable in annual instalments of \$30,000. The loan does not bear interest and is secured by a first mortgage on a mineral property interest (Note 3). In the event of default the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the fair value on inception, using a market interest rate of 15% was determined to be \$150,563. The difference of \$149,437 will be accreted over the remaining life until maturity using amortized cost method. During the year ended March 31, 2009, \$2,603 (2008: \$nil) of accretion has been charged to mineral properties and credited to agreements payable.

	153,166		–
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Agreement payable of \$2,000,000, payable in annual instalments of \$250,000 of which \$500,000 (2008: \$250,000) has been paid. The loan does not bear interest and is secured by a first mortgage on a mineral property interest (Note 3). In the event of default the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the fair value on inception, using a market interest rate of 9.25% was determined to be \$1,370,940. The difference of \$629,060 is accreted over the remaining life until maturity using amortized cost method. During the year ended March 31, 2009, \$49,419 (2008: \$41,761) of accretion has been charged to statement of operations and credited to agreements payable.

	962,120		1,163,818
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	<u>1,185,286</u>		<u>1,243,818</u>
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Less: Current portion:

	<u>290,000</u>		<u>260,000</u>
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\$	<u><u>895,286</u></u>	\$	<u><u>983,818</u></u>
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Note 8 Long-term Debt – (cont'd)

Convertible debenture payable

2009

2008

Convertible debenture of CAD\$9,000,000 bearing interest at the rate of 7% per annum, compounded annually, due December 19, 2011 and secured by a floating charge over all of the Company's acquired property and assets. The Debenture may be converted into the Company's common shares (the "Common Shares") at a fixed conversion price of CAD\$0.50 per Common Share (the "Conversion Price") in certain circumstances. The principal amount of the Debenture, plus accrued and unpaid interest thereon, may be converted (1) by the Company in the event that the Company has obtained all of the permits required to construct and operate either the Centennial or the Dewey-Burdock project; or (2) by the lender at any time, provided that each conversion shall be a minimum of CAD\$100,000 of the principal amount of the Debenture, until (a) repayment in full by the Company of any outstanding principal and interest outstanding on the Debenture, or (b) conversion upon the request of the Company pursuant to (a) above.

The Conversion Price and the number of Common Shares issuable upon conversion of the Debenture are subject to anti-dilution adjustments in the event of a subdivision, consolidation or reclassification of the Common Shares or the issuance of Common Shares to shareholders as a stock dividend. The Company has also agreed not to take certain corporate actions without the consent of the lender until the earlier of: (i) the conversion of the entire Debenture into Common Shares in accordance with the terms and conditions of the Debenture; and (ii) the Maturity Date.

In accordance with the accounting policy for financial instruments, the convertible debenture was bifurcated into equity and liability components using the relative fair measure method. The equity component was determined using the Black Sholes method with the following assumptions: 90.95% volatility, 0% dividend yield, 1.50% risk-free interest rate and an expected life of three years. The liability component was determined using an implied market interest rate of 15%.

\$ 5,039,568 \$ –

All legal fees associated with the convertible debenture were expensed as incurred. The Company did not incur any agent fees during the transaction.

During the year ended March 31, 2009, \$87,822 (2008: \$nil) of accretion and accrued interest of \$60,493 (2008: \$nil) has been charged to statement of operations and credited to convertible debt. The amount allocated to the equity components is \$2,363,211 and the resulting discount to the debt is being accreted over the remaining life until maturity using amortized cost method.

Note 8 Long-term Debt – (cont'd)

Annual principle and interest payments due under the agreements payable are as follows:

	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>4 to 5 years</u>	<u>Thereafter</u>	<u>Total</u>
Agreements payable	\$ 290,000	\$ 870,000	\$ 580,000	\$ 130,000	\$ 1,870,000
Convertible debt	–	7,272,637	–	–	7,272,637
	<u>\$ 290,000</u>	<u>\$ 8,142,637</u>	<u>\$ 580,000</u>	<u>\$ 130,000</u>	<u>\$ 9,142,637</u>

Note 9 Commitments and Contingencies

Mineral Property Interests – Land and Mineral Lease Commitments

Dewey-Burdock Project - The Company leases both surface and minerals within the Dewey-Burdock Project area in South Dakota. The surface owners will be paid a two percent overriding royalty as incentive to support the development of uranium under their lands. In addition, surface owners are paid an annual rental to cover the cost of surface damage and to compensate for reduction of husbandry grazing during field operations. Generally, royalty payments to the surface owners will be reduced by the amount of rentals previously paid. The basic terms of the leases are five-year initial terms and are renewable two times at the five-year mark and ten years from original signing. Additional bonuses are paid to the landowners at the time of renewal. All leases are in force through 2020 without production. In the case of production, all leases will be held as long as minerals are produced. The average annual payments under the agreements are approximately \$190,000. As further disclosed in Note 3 an additional \$1,300,000 is payable upon receipt of certain permits and authorizations.

Aladdin Prospect - The Company maintains lease agreements with mineral owners in its Aladdin Prospect in Wyoming. The Company granted the mineral owners a six percent overriding royalty payment out of sales of the product. The surface owners will be paid a two percent overriding royalty as incentive to support the development of uranium under their lands. In addition, surface owners are paid an annual rental to cover the cost of surface damage and to compensate for reduction of husbandry grazing during field operations. The basic terms of the leases are five-year initial terms and are renewable one time at the five-year mark from original signing. Additional bonuses are paid to the landowners at the time of renewal. All the leases are in force through 2017 without production. In the case of production, all leases will be held as long as minerals are produced. The average annual payments under the agreements are approximately \$90,000.

Centennial Project – The Company maintains lease agreements with mineral owners in its Centennial Project area in Colorado. The Company granted the mineral owners a five percent, escalating, overriding royalty payment out of sales of the product. The surface owners will be paid a two percent overriding royalty as incentive to support the development of uranium under their lands. In addition, surface owners are paid an annual rental to cover the cost of surface damage and to compensate for reduction of husbandry grazing during field operations. Generally, royalty payments to the surface owners will be reduced by the amount of rentals previously paid. The leases have an initial term of five years and are renewable upon payment of the annual rental fee. The average annual payments under the agreements are approximately \$63,000. As further disclosed in Note 3 an additional \$1,500,000 is due upon receipt of certain permits and licenses.

Claims Maintenance – The Company has secured 1,720 mining claims within its various prospects. The total annual maintenance costs of the mining claims are approximately \$215,000

See Note 3 for discussion of commitments related to mineral properties.

See Note 8 for discussion of long-term debt commitments related to mineral properties.

Note 9 Commitments and Contingencies – (cont'd)

Management Services Agreements and Employment Agreements

The Company entered into/or renewed four management services agreements and nine employment agreements during the year ended March 31, 2009. The agreements require the Company to pay fees totalling \$147,200 per month. The agreements automatically renew for an additional year unless terminated by the Company at least 90 days prior to each agreement's anniversary.

Office Leases

During March 2009, the Company entered into a twenty-seven month lease agreement for office space in Vancouver, British Columbia. Annual lease payments due are approximately \$48,000 (CAD\$60,000).

During December 2006, the Company entered into a three-year lease agreement for office space in Albuquerque, New Mexico. Annual lease payments due are approximately \$19,200.

During November 2006, the Company entered into a three-year lease agreement for office space in Hot Springs, South Dakota. Annual lease payments are approximately \$12,900.

During November 2008, the Company entered into a one-year lease agreement for office space in Wellington, Colorado. Annual lease payments are approximately \$19,200.

During November 2007, the Company entered into a five-year lease agreement for office space in Greenwood Village, Colorado. Annual lease payments are approximately \$80,800.

Legal Matters

The Company was named in a wrongful dismissal claim related to the termination of a former president of the Company in 2004 prior to the sale of the Company's former business. Since such a claim was considered possible at the time of the sale of the business, the former controlling shareholder of the Company and purchaser of the business, agreed to indemnify the Company for any damages or costs incurred in connection with any such claim. Pursuant to the indemnity agreement, the former controlling shareholder has assumed the defence of the claim on behalf of the Company.

Note 10 Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>2009</u>	<u>2008</u>
Statutory tax rates	30.63%	33.47%
Loss before income taxes	\$ 4,336,652	\$ 3,433,794
Expected income tax recovery	1,328,300	1,201,800
Increase (decrease) in income tax recovery resulting from:		
Foreign income taxed at other than Canadian statutory rates	122,500	(17,700)
Non-deductible permanent differences	(314,200)	(264,300)
Foreign exchange loss on revaluation	8,300	80,000
Effect of reduction in Canadian statutory rates	(66,900)	(100,300)
Change in the valuation allowance	(1,078,000)	(899,500)
Income tax recovery	\$ —	\$ —

Note 10 Income Taxes- (cont'd)

The significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<u>2009</u>	<u>2008</u>
Future income tax assets (liabilities)		
Non-capital and net operating losses carried forward	\$ 5,672,000	\$ 4,641,000
Share issue costs	23,000	42,000
Capital assets	66,000	-
Mineral properties and deferred exploration	(3,246,000)	(3,246,000)
	<u>2,515,000</u>	<u>1,437,000</u>
Less: valuation allowance	<u>(2,515,000)</u>	<u>(1,437,000)</u>
	<u>\$ —</u>	<u>\$ —</u>

The Company recorded a valuation allowance against its net future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized during the carry forward periods to utilize all the future tax assets.

At March 31, 2009, the Company and its subsidiary have accumulated non-capital losses totalling \$16.8 million which may be carried forward to reduce future year's taxable income. These losses, the potential tax benefit of which has not been recognized in these financial statements, expire as follows:

	<u>Canada</u>	<u>United States of America</u>	<u>Total</u>
2015	\$ 184,900	\$ —	\$ 184,900
2026	167,700	—	167,700
2027	463,800	2,066,400	2,530,200
2028	368,200	10,118,100	10,486,300
2029	<u>872,300</u>	<u>2,552,500</u>	<u>3,424,800</u>
	<u>\$ 2,056,900</u>	<u>\$ 14,737,000</u>	<u>\$ 16,793,900</u>

Note 11 Capital Management

The capital structure of the Company consists of shareholders' equity, long-term debt and cash and cash equivalents as noted below:

	<u>2009</u>	<u>2008</u>
Components of Capital:		
Shareholders' equity	\$ 33,985,814	\$ 33,247,211
Long-term debt	5,934,854	983,818
Less:		
Cash and cash equivalents	<u>(5,724,561)</u>	<u>(2,009,155)</u>
	<u>\$ 34,196,107</u>	<u>\$ 32,221,874</u>

The Company's objectives when managing capital are:

- to manage capital in a manner which balances the interest of equity and debt holders;
- to manage capital in a manner that will maintain compliance with its financial covenants; and
- to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development.

Note 11 Capital Management – (cont'd)

The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt or balance equity and making adjustments to its capital expenditure program. The Company is not subject to any externally imposed capital requirements

There have been no changes to the Company's capital structure, objectives, policies and processes over the prior year.

Note 12 Financial Instruments

Fair value of financial instruments

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics.

The Company designated cash and restricted cash as held for trading assets, measured at fair value. Amounts receivable are measured at amortized cost. Accounts payable and accrued liabilities, convertible debt and agreements payable are designated as other financial liabilities and measured at amortized cost. The fair value of the Company's financial instruments approximates their carrying values at March 31, 2009.

Financial risk management

In the normal course of operations, the Company is exposed to various risks such as foreign exchange, interest rate, credit, and liquidity risk. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company to managing risk are as follows:

- maintaining sound financial condition;
- financing operations; and
- ensuring liquidity to all operations.

In order to satisfy these objectives, the Company has adopted the following policies:

- prepare budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets;
- recognize and observe the extent of operating risk within the business;

There have been no changes in risks that have arisen or how the Company manages those risks from the prior period.

Note 12 Financial Instruments – (cont'd)

(i) Foreign exchange risk

The foreign exchange risk relates to the risk that the value of financial commitments and recognized assets or liabilities will fluctuate due to changes in foreign currency rates. The most significant impact of foreign exchange is on the Company's net loss and other comprehensive income due to the translation and change in reporting currency of foreign operations into US dollars. The affect of translating the financial statements of the entities that are determined to be integrated foreign operations are included in the consolidated statements of operations. The Company is also exposed to foreign exchange risk arising from:

- Cash balances held in foreign currencies;
- borrowings denominated in foreign currencies; and
- firm commitments payments settled in foreign currencies or with prices dependent on foreign currencies.

The Company does not hedge its exposure to foreign currency exchange risk.

The Company is exposed to foreign currency risk in respect of trade payables of \$1,218,637 and an agreement payable of \$1,185,286.

There are no significant non-financial assets and liabilities that have foreign currency risk exposure.

As at March 31, 2009, with other variables unchanged, a \$0.01 strengthening (weakening) of the United States dollar against the Canadian dollar would increase (decrease) our net loss by \$7,267.

(ii) Credit Risk

Credit risk is primarily associated with trade receivables, and to a lesser extent, cash equivalents. The Company closely monitors its financial assets and does not have any significant concentration of credit risk. The Company does not sell a product and therefore does not have credit risks. Cash and cash equivalents are held through large international financial institutions. Cash and cash equivalents are comprised of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature within 90 days of the balance sheet date. The Company's maximum exposure to credit risk at the balance sheet date is as follows:

	March 31,	
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 5,724,561	\$ 2,009,150
Receivables	<u>61,300</u>	<u>23,172</u>
	<u>\$ 5,785,861</u>	<u>\$ 2,032,322</u>

Note 12 Financial Instruments – (cont'd)

iii) Liquidity risk

The Company has a cash forecast and budgeting process in place to assist with the determination of funds required to support the Company's operating requirements on an ongoing basis and its expansion plans. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12. The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations:

	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>4 to 5 years</u>	<u>Thereafter</u>	<u>Total</u>
Lease obligations	\$ 324,177	\$ 1,730,477	\$ 540,879	\$ 795,452	\$ 3,390,985
Accounts payable and accrued liabilities	1,311,577	–	–	–	1,311,577
Agreements payable	290,000	870,000	580,000	130,000	1,870,000
Convertible debt	–	7,272,637	–	–	7,272,637
	<u>\$ 1,925,754</u>	<u>\$ 9,873,114</u>	<u>\$ 1,120,879</u>	<u>\$ 925,452</u>	<u>\$ 13,845,199</u>

The convertible debenture is convertible in cash or shares, and may not result in a cash outflow.

iv) Interest rate risk

The Company is exposed to interest rate risk on its outstanding short-term investments. The Company is not exposed to interest rate risk on its outstanding borrowings. The only outstanding interest-bearing borrowings as at March 31, 2009 are the convertible debentures, with a fixed interest rate.

Note 13 Comparative Figures

Certain comparative figures as at and for the year ended March 31, 2008 have been reclassified in order to comply with the financial statement presentation adopted for the current year.