POWERTECH URANIUM CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

(Expressed in United States Dollars)

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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
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Independent Auditor's Report

To the shareholders of
Powertech Uranium Corp.

We have audited the accompanying consolidated financial statements of Powertech Uranium Corp. which comprises the consolidated statement of financial position as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010 and related notes which includes a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1- Nature of Operations and Going Concern in the consolidated financial statements which indicates that the entity has a deficit of $32,354,103 as at December 31, 2011 and, is expected to incur losses in the foreseeable future. These conditions, along with other matters as set forth in Note 1- Nature of Operation and Going Concern, indicate the existence of a material uncertainty that may cast doubt about the entity's ability to continue as a going concern.

(signed) BDO CANADA LLP

Chartered Accountants

Vancouver, Canada
February 24, 2012

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMEMENT OF FINANCIAL POSITION
December 31, 2011
(Expressed in United States Dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash and cash equivalents	$ 4,057,505	$ 1,857,358	$ 3,581,859
Receivable	13,752	18,515	35,979
Deposits	23,047	29,648	19,648
Prepaid expenses – Note 10	87,403	155,845	193,447
	4,181,707	2,061,366	3,830,933
Non-current			
Restricted cash	259,031	285,428	557,882
Mineral properties – Notes 6, 8, 12 and Schedule 1	45,662,797	44,884,776	39,676,513
Building and equipment – Note 7	207,534	321,731	426,028
Total assets	$ 50,311,069	$ 47,553,301	$ 44,491,356
LIABILITIES			
Current			
Accounts payable and accrued liabilities – Note 10	$ 292,428	$ 329,334	$ 576,303
Current portion of long-term debt – Note 8	45,000	25,482,916	290,000
	337,428	25,812,250	866,303
Non-current			
Long-term debt			
Agreements payable – Note 8	1,012,796	811,645	659,811
Loan facility payable – Notes 8 and 9	–	–	6,900,322
Convertible note payable – Notes 8 and 9	–	–	10,621,725
Convertible promissory note payable – Notes 8 and 9	1,499,035	–	–
	2,849,259	26,623,895	19,048,161
Future income taxes- Note 13	641,182	–	–
	3,490,441	26,623,895	19,048,161
SHAREHOLDER'S EQUITY			
Share capital – Note 9	71,950,055	50,831,518	50,831,518
Contributed surplus – Note 9	7,224,676	6,855,957	6,817,117
Deficit	(32,354,103)	(36,758,069)	(32,205,440)
	46,820,628	20,929,406	25,443,195
Total liabilities and shareholder's equity	$ 50,311,069	$ 47,553,301	$ 44,491,356

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 STATEMENT COMPREHENSIVE INCOME (LOSS)
for the year ended December 31, 2011
(Expressed in United States Dollars)

	2011	2010
General and administrative expenses		
Amortization and depreciation	$ 113,076	$ 150,955
Audit and accounting fees	158,609	85,520
Community and media relations	22,605	107,046
Director fees – Note 10	61,992	34,944
Filing fees	120,781	21,776
Foreign exchange loss	457,680	1,227,238
Insurance	91,245	89,842
Investor relations and promotion	69,487	96,237
Legal fees	139,728	143,763
Management and consulting fees – Note 10	494,531	554,571
Office and miscellaneous	422,521	479,472
Transfer agent fees	22,349	9,892
Travel and accommodation	275,241	230,157
Wages and benefits	1,090,174	1,121,555
Loss from operations	(3,540,019)	(4,352,968)
Finance income (costs)		
Interest income	20,757	33,841
Interest expense on long-term debt – Note 8	(375,913)	(1,546,036)
Accretion – Note 8	(1,610,196)	(2,239,904)
Gain on re-measurement of financial and derivative liability – Note 8	2,966,402	3,955,290
Gain on extinguishment of debt – Note 8	10,080,905	–
Other costs		
Impairment charges – Notes 6 and 17	(2,499,166)	(402,852)
	8,582,789	(199,661)
Net income/(loss) before income taxes	5,042,770	(4,552,629)
Future Income tax expense- Note 13	(638,804)	–
Net Income/(loss) and comprehensive income (loss) for the year	$ 4,403,966	$ (4,552,629)
Basic earnings/(loss) per common share – Note 14	$ 0.05	$ (0.08)
Diluted earnings/(loss) per common share – Note 14	$ 0.04	$ (0.08)
Basic weighted average number of shares outstanding – Note 14	93,595,737	55,429,022
Diluted weighted average number of shares outstanding – Note 14	106,095,737	55,429,022

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended December 31, 2011
(Expressed in United States Dollars)

	Number of Common Shares	**Share capital**	**Contributed Surplus**	**Deficit**	**Total**
Balance, January 1, 2010	55,429,022	$ 50,831,518	$ 6,817,117	$ (32,205,440)	$ 25,443,195
Total comprehensive loss for the year	-	-	-	(4,552,629)	(4,552,629)
Stock-based compensation (Note 9)	-	-	38,840	-	38,840
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957	$ (36,758,069)	$ 20,929,406
Balance, January 1, 2011	55,429,022	$ 50,831,518	$ 6,855,957	$ (36,758,069)	$ 20,929,406
Share issuance (Note 9)	47,872,340	23,105,250	-	-	23,105,250
Share issue costs (Note 9)	-	(1,626,094)	-	-	(1,626,094)
Fair value of agent warrants	-	(360,619)	360,619	-	-
Stock-based compensation (Note 9)	-	-	8,100	-	8,100
Total comprehensive income for year	-	-	-	4,403,966	4,403,966
Balance, December 31, 2011	103,301,362	$ 71,950,055	$ 7,224,676	$ (32,354,103)	$ 46,820,628

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended December 31, 2011
(Expressed in United States Dollars)

	2011	2010
Cash flows from operating activities		
Income (loss) for the year	$ 4,403,966	$ (4,552,629)
Adjustments to reconcile loss to net cash used in operating activities:		
Accretion	1,610,196	2,239,904
Depreciation and amortization	113,076	150,955
Future income tax expense	638,804	–
Impairment	2,499,166	402,852
Gain on re-measurement of financial and derivative liability	(2,966,402)	(3,955,290)
Gain on extinguishment of debt	(10,080,905)	–
Interest accrual	375,913	1,546,036
Unrealized foreign exchange loss	193,893	1,279,411
	(3,212,293)	(2,888,761)
Changes in non-cash working capital balances:		
Receivables	4,385	18,143
Deposits	6,557	(9,705)
Prepaid expenses	68,696	39,968
Accounts payable and accrued liabilities	47,580	(177,615)
Total cash outflows from operating activities	(3,085,075)	(3,017,970)
Cash flows from investing Activities		
Restricted cash	26,397	272,454
Mineral property interests	(3,350,187)	(5,644,521)
Building and equipment	–	(46,657)
Total cash outflows from investing activities	(3,323,790)	(5,418,724)
Cash flows from financing activities		
Long-term debt issuances	6,946,426	6,696,450
Long-term debt repayment	(19,711,039)	(90,000)
Issuance of common shares	23,105,250	–
Costs of issuance of common shares	(1,626,094)	–
Total cash inflows from financing activities	8,714,543	6,606,450
Foreign exchange (gain) loss on cash	(105,531)	105,743
Total increase (decrease) in cash during the year	2,200,147	(1,724,501)
Cash and cash equivalents, beginning of the year	1,857,358	3,581,859
Cash and cash equivalents, end of the year	$ 4,057,505	$ 1,857,358
Cash and cash equivalents consists of:		
Cash	$ 156,844	$ 7,630
Cash equivalents	3,900,661	1,849,728
Total cash and cash equivalents, end of year	$ 4,057,505.	$ 1,857,358

Noncash Transactions – Notes 3 and 11

SEE ACCOMPANYING NOTES

Schedule 1

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
for the year ended December 31, 2011
(Expressed in United States Dollars)

	South Dakota	Wyoming	Colorado	Other	Total
Balance, January 1, 2010	$21,173,616	$3,315,088	$15,053,520	$ 134,289	$ 39,676,513
Acquisitions – Note 6	–	–	375,000	–	375,000
Land services	36,180	–	36,070	–	72,250
Legal fees	302,828	–	233,101	–	535,929
Claims fees	63,062	117,070	–	–	180,132
Land/lease payments	532,612	73,749	122,264	–	728,625
Drilling/ Engineering	38,268	–	129,250	–	167,518
Feasibility study	160,263	–	160,441	–	320,704
Permitting	1,317,733	–	427,685	–	1,745,418
Impairment – Note 6 and 17	(36,847)	(231,716)	–	(134,289)	(402,852)
Wages/consulting – Note 10	852,719	–	632,820	–	1,485,539
Balance, December 31, 2010	$24,440,434	$3,274,191	$17,170,151	$ –	$ 44,884,776
Land services	21,000	21,000	21,000	–	63,000
Legal fees	239,271	–	(2,332)	–	236,939
Claims fees	54,960	161,401	–	–	216,361
Land/lease payments	141,889	76,947	37,116	–	255,952
Drilling/ Engineering	21,380	–	(1,043)	–	20,337
Permitting	1,285,087	–	–	–	1,285,087
Exploration	–	5,000	–	–	5,000
Impairment – Notes 6 and 17	(57,600)	(138,125)	(2,303,441)	–	(2,499,166)
Wages/Consulting – Note 10	911,386	60,750	222,375	–	1,194,511
Balance, December 31, 2011	$ 27,057,807	$3,461,164	$15,143,826	$ –	$ 45,662,797

SEE ACCOMPANYING NOTES

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, and Colorado, USA. The address of the Company's corporate office and principle place of business is Suite 3023, 595 Burrard Street, Vancouver, BC, Canada.

The Company is in the process of evaluating 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 amounts 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 International Financial Reporting Standards ("IFRS") 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 condensed 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 December 31, 2011, the Company had not yet achieved profitable operations, had a deficit of $32,354,103 and working capital of $3,844,279. The Company's focus is furthering its permitting applications at its Dewey-Burdock project. Therefore it will incur future losses which cast doubt as to the Company's ability to continue as a going concern which is dependent upon its ability to raise the necessary funds and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Although the Company has successfully raised funds in the past, there is no assurance that it will be able to do so in the future.

Note 2 Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the Accounting Standards Board ("IASB"). This is the first time that the Company has prepared its annual financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover "GAAP").

Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 4. This note includes reconciliations of equity and profit or loss for comparative periods reported under pre-changeover GAAP to those reported for those periods under IFRS.

These consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2012.

Note 3 Basis of Measurement

The financial statements have been prepared on a historical cost basis and are presented in US dollars, which is also the Company's functional currency. References to "CAD$" refer to Canadian currency and "$" to United States currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Note 4 First-time Adoption of IFRS

The Company's consolidated financial statements for the year ended December 31, 2011 are the first annual financial statements prepared in accordance with IFRS. IFRS 1 "First-time Adoption of International Financial Reporting Standards", requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 ('the transition date"). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. Therefore, the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and the opening IFRS statement of financial position at January 1, 2010 are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS 1 also provides for certain optional exemptions and certain mandatory exemptions for first time IFRS adopters. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover GAAP.

The Company applied the following optional and mandatory exemptions:

Business combinations: The Company elected not to retrospectively apply IFRS 3: Business Combinations to any business combinations that may have occurred prior to its transition date and such business combinations have not been restated.

Share-based payment transactions: The Company has elected not to retrospectively apply IFRS 2: Share-based payment to equity instruments that were granted and had vested prior to the transition date. As a result of applying this exemption, the Company applied the provisions of IFRS 2 only to all outstanding equity instruments that were unvested as of the transition date.

Leases: The Company elects to determine whether an arrangement existing as the transition date contains a lease on the basis of facts and circumstances at that date.

Cumulative translation adjustments: The Company elected to reset all cumulative translation differences to zero as of the transition date. This election was applied to all foreign operations as of the transition date.

Compound financial instruments: The Company elected not to retrospectively separate the liability and equity components of compound financial instruments for which the liability component is no longer outstanding as of the transition date.

Borrowing costs: The Company elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the transition date.

Note 4 First-time Adoption of IFRS – (cont'd)

Derecognition of Financial Assets and Liabilities: The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates: The estimates previously made by the Company under pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

IFRS employs a conceptual framework that is similar to pre-changeover GAAP. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in significant changes to the reported financial position and results of operations of the Company.

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statement of financial position and statement of comprehensive loss as shown below have resulted in reclassification of various amounts on the statement of cash flows, however, as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

The table below reconciles the significant changes to the Company's financial position due to the transition to IFRS as of January 1, 2010:

	Note	Canadian GAAP	Effect of transition	IFRS
ASSETS				
Current				
Cash and cash equivalents		$ 3,581,859	$ –	$ 3,581,859
Receivable		35,979	–	35,979
Deposits		19,648	–	19,648
Prepaid expenses		193,447	–	193,447
		3,830,933	–	3,830,933
Restricted cash		557,882	–	557,882
Mineral properties	a, d	40,186,113	(509,600)	39,676,513
Building and equipment		426,028	–	426,028
		$ 45,000,956	$ (509,600)	$ 44,491,356
LIABILITIES				
Current				
AP and accrued liabilities		$ 576,303	$ –	$ 576,303
Current portion of long-term debt		290,000	–	290,000
		866,303	–	866,303
Agreements payable		659,811	–	659,811
Loan Facility payable	b	5,894,432	1,005,890	6,900,322
Convertible debt payable	b	7,052,160	3,569,565	10,621,725
		14,472,706	4,575,455	19,048,161
SHAREHOLDERS' EQUITY				
Share capital		50,831,518	–	50,831,518
Contributed surplus	a	6,726,716	90,401	6,817,117
Equity portion of convertible debt	b	2,363,211	(2,363,211)	–
Equity portion of loan facility	b	785,541	(785,541)	–
Accumulated other comprehensive loss	c	(5,004,102)	5,004,102	–
Deficit		(25,174,634)	(7,030,806)	(32,205,440)
		30,528,250	(5,085,055)	25,443,195
		$ 45,000,956	$ 509,600	$ 44,491,356

Note 4 First-time Adoption of IFRS – (cont'd)

The table below reconciles the significant changes to the Company's financial position as of December 31, 2010 due to the transition to IFRS:

	Note	Canadian GAAP	Effect of transition	IFRS
ASSETS				
Current				
Cash and cash equivalents		$ 1,857,358	$ –	$ 1,857,358
Receivable		18,515	–	18,515
Deposits		29,648	–	29,648
Prepaid expenses		155,845	–	155,845
		2,061,366	–	2,061,366
Restricted cash		285,428	–	285,428
Mineral properties	a, d	45,435,120	(550,344)	44,884,776
Building and equipment		321,731	–	321,731
		$ 48,103,645	$ (550,344)	$ 47,553,301
LIABILITIES				
Current				
AP and accrued liabilities		$ 329,334	$ –	$ 329,334
Current portion of long-term debt	b	23,921,936	1,560,980	25,482,916
		24,251,270	1,560,980	25,812,250
Agreements payable		811,645	–	811,645
		25,062,915	1,560,980	26,623,895
SHAREHOLDERS' EQUITY				
Share capital		50,831,518	–	50,831,518
Contributed surplus	a	6,806,299	49,658	6,855,957
Equity portion of convertible debt	b	2,363,211	(2,363,211)	–
Equity portion of loan facility	b	785,541	(785,541)	–
Accumulated other comprehensive loss	c	(5,004,102)	5,004,102	–
Deficit		(32,741,737)	(4,016,332)	(36,758,069)
		23,040,730	(2,111,324)	20,929,406
		$ 48,103,645	$ 550,344	$ 47,351,301

a. Pre-changeover GAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using a graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. This treatment resulted in an accelerated recognition of stock-based compensation in accordance with accounting policies.

January 1, 2010: increase mineral properties and increase contributed surplus by $90,400.
December 31, 2010: increase mineral properties and increase contributed surplus by $49,656.

Further under pre-changeover GAAP, the Company previously capitalized exploration expenditures settled in the Company's shares, including any related deferred tax. These temporary differences do not arise as a result of business combinations and affect neither accounting nor taxable profit on initial recognition. As a result, they meet the criteria outlined in IAS 12 Income Taxes, to exempt the Company from recognizing deferred tax on initial recognition (the "initial recognition exemption"). No deferred tax liabilities were recognized under pre-changeover GAAP, therefore there will be no measurement impact on change. However, the note disclosures on deferred tax liabilities will change as a result of this difference (refer to Note 13)

Note 4 First-time Adoption of IFRS – (cont'd)

b. The transition adjustment is due to a change in accounting for financial instruments. Under pre-changeover GAAP, the Company bifurcated its debt obligations with a convertible feature into equity and liability components using the relative fair value method. The equity component was fair valued using the Black-Scholes valuation model. The liability component was determined using market interest rates relevant at inception of the debt. The resulting equity and discounted debt was accreted over the life of the debt obligation until maturity using the amortized cost method.

Under IFRS, the compound debt instrument contains an embedded foreign currency derivative as the conversion price is denominated in a currency different from the functional currency of the Company. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative. This initial amount is accreted back to the host instrument over the life of the debt obligation until maturity. Each reporting period, the Company is required to fair value this embedded derivative using an appropriate fair value model. Any adjustment in the fair value of the embedded derivative is recorded through the statement of loss and comprehensive loss. As a result of the change in policy for accounting for compound financial instruments, the impact on the statement of financial position and statement of comprehensive loss for the years ended was:

January 1, 2010: increase loan facility payable and convertible debt payable by $4,575,455, decrease equity portion of convertible debt and loan facility by $3,148,752 and increase deficit by $1,426,703.

December 31 2010: increase loan facility payable and convertible debt payable by $1,560,980, decrease equity portion of convertible debt and loan facility by $3,148,752 and decrease accumulated deficit by $1,587,772.

c. The Company elected to set its cumulative translation differences to zero in accordance with IFRS 1. As a result of the election, the impact on the statement of financial position was:

January 1, 2010 and December 31, 2010: decrease accumulated other comprehensive loss and increase deficit by $5,004,102.

d. The transition adjustment of $600,000 to reduce mineral properties was a result of applying the fair value measurement of the Anadarko agreement payable at inception of the loan in 2006 in accordance with IFRS standards. Under pre-changeover GAAP, the Company applied HB 3855 in 2008 to value the financial liability and applied provisional transitional adjustment in that year through deficit.

January 1, 2010: decrease mineral properties and increase deficit by $600,000.
December 31, 2010: decrease mineral properties and increase deficit by $600,000.

The table below reconciles the significant changes to the Company's consolidated net loss and comprehensive loss due to the transition to IFRS for December 31, 2010.

	Note	Canadian GAAP	Effect of transition	IFRS
Net loss and comprehensive loss	e	$ (7,567,103)	$ 3,014,474	$(4,552,629)
Basic (loss) per common share		$ (0.14)	$ 0.06	$ (0.08)

Note 4 First-time Adoption of IFRS – (cont'd)

e. The transition adjustment is due to the change in accounting for compound financial instruments discussed in (b) above, specifically relating to re-calculation of accretion expense and gain/loss on re-measurement of derivative liabilities each period in the statement of comprehensive loss with a corresponding entry to the loan facility payable and convertible debt payable.

Note 5 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise noted.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of amounts receivable and prepayments which are included in the consolidated statement of financial position.
- The estimated useful lives of building and equipment which are included in the consolidated statement of financial position and the related depreciation included in the statement of comprehensive loss.
- The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.
- Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.
- The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which

Note 5 Significant Accounting Policies – (cont'd)

is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility, forfeiture rate and dividend yield and making assumptions about them.;

- The inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.
- Financial instruments (assets and liabilities) and most derivative instruments (financial and non-financial) are recorded on the balance sheet, at fair value. Those recorded at fair value must be re-measured at each reporting date and changes in the fair value will be recorded in either net loss or other comprehensive loss. Uncertainties, estimates and use of judgment inherent in applying the standards include: assessment of contracts as derivative instruments and for embedded derivatives, valuation of financial instruments and derivatives at fair value.

In determining whether a contract represents a derivative or contains an embedded derivative, the most significant area where judgment has been applied pertains to the determination as to whether the contract can be settled net, one of the criteria in determining whether a contract for a non-financial asset is considered a derivative and accounted for as such. Judgment is also applied in determining whether an embedded derivative is closely related to the host contract, in which case bifurcation and separate accounting are not necessary.

We have measured and classified our debt instruments with conversion features as either compound instruments and bifurcated the components between at the host debt and embedded derivative liabilities at amortized cost or designated as a financial instrument to be fair valued through profit or loss. All of these are therefore recorded on the balance sheet at fair value. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Estimated fair values are designed to approximate amounts at which the financial instruments could be exchanged in a current transaction between willing parties. Multiple methods exist by which fair value can be determined, which can cause values (or a range of reasonable values) to differ. There is no universal model that can be broadly applied to all items being valued. Further, assumptions underlying the valuations may require estimation of share price volatility, discount rates, interest free rates, defaults and other relevant variables.

Fair value of our host debt is based on the comparable market debt without the conversion feature. The fair value of a derivative liability which is not traded in an active market is determined by using valuation techniques, which requires estimation.

Standards require the use of a three-level hierarchy for disclosing fair values for instruments measured at fair value on a recurring basis. Judgment and estimation are required to determine in which category of the hierarchy items should be included. When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on our assessment of the lowest level input that is the most significant to the fair value measurement. The Company utilized levels 2 and 3 with regards to the fair value inputs.

Without hedge accounting, the company can face volatility in earnings, as derivative instruments are marked-to-market each period through net loss. The company does not employ hedge accounting.

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.

Note 5 Significant Accounting Policies – (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits and guaranteed investment certificates. These investments are easily convertible to known amounts of cash, are subject to insignificant risk of change in value, and have maturities of three months or less when purchased.

Restricted Cash

Restricted cash consists of deposits held for collateral pursuant to bonds provided to State authorities in connection with mineral property activities as well as restricted funds that is used to secure corporate credit card.

Rehabiliation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances which are caused by exploration and evaluation activities. The Company records the present value for the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The Company has determined that there are no rehabilitation provisions at December 31, 2011 and 2010, and January 1, 2010 as the Company has secured such estimated costs with the State agencies in which its activities are located.

Building and Equipment

On initial recognition, building and equipment ("B&E") are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability, as anticipated, is recognized within provisions.

B&E is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of B&E have different useful lives, they are accounted for as separate items (major components) of B&E.

The cost of replacing part of an item of B&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of B&E are recognized in profit and loss as incurred.

Depreciation 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. Depreciation is recorded using the straight-line method over a 40 year useful life for buildings. Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted as appropriate.

Mineral Properties

Pre-exploration costs are expensed in the period in which they occur.

Note 5 Significant Accounting Policies – (cont'd)

Mineral Properties – (cont'd)

Exploration and evaluation expenditures are capitalized in the period in which they occur once the legal right to explore a property has been acquired. This includes any acquisition costs associated with such property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, contractor payments, land payments, claims maintenance and certain employee costs. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may, at its discretion, enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transfee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Any such impairment charges will be written off to the statement of comprehensive loss.

Once the technical feasibility and commercial viability of extracting the resource has been determined, the property will be considered a mine under development and will be classified as "mines under construction." Exploration and evaluation assets will also be tested for impairment at this point prior to transferring the assets to development properties.

Mineral exploration and evaluation expenditures are classified as intangible assets.

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. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company considers each project and/or prospect to be a cash-generating unit separate from the other projects and/or prospects.

Impairment charges are recorded in statement of comprehensive loss in the period in which the evaluation was completed. See Notes 6 and 17 for further discussion.

During transition to IFRS, the Company performed an initial impairment assessment on its long-lived assets as of the transition date of January 1, 2010 and reviewed its impairment charges for the year ended December 31, 2010. This assessment/review concluded that there was no further impairment as of the transition date and no changes to impairment charges taken during the year ended December 31, 2010.

Note 5 Significant Accounting Policies – (cont'd)

Income Taxes

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for certain temporary differences. Recognition of deferred tax assets for unused tax losses, tax credits and deductable temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Annually, the Company reasseses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Company evaluated its tax position at the transition date of January 1, 2010 and December 31, 2010 for any changes from pre-changeover GAAP to IFRS. No material differences were noted during this evaluation.

Share-based payments

When equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in net income (loss) and financial position over the vesting period, described as the period during which all vesting conditions are to be satisfied. The compensation charge directly attributable to the development and progression of the mineral properties are capitalized.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in statement of comprehensive loss, unless they are related to the issuance of common shares.

Amounts related to the issuance of common shares are recorded as a reduction of share capital. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted based on management's best estimate, for the effects of transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where the grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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 9 for discussion of the Company's stock option plan.

Note 5 Significant Accounting Policies – (cont'd)

Basic and Diluted Income (Loss) Per Common Share

Basic income (loss) per common share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share reflect the potential dilution that could occur if potentially dilutive securities, such as convertible debt obligations, warrants, and stock options outstanding, were exercised or converted to common stock, only to the extent that they are not antidilutive.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or financial liability. The Company's common shares, preferred shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction from the proceeds.

Foreign Currency Translation

The Company's functional currency is US dollars. At the transaction date, each asset, liability, revenue and expense dominated in a foreign currency is translated to US dollars by the use of the exchange rate in effect at that date. Non-monetary assets and liabilities that are measured at historical cost are translated into US dollars by using the exchange rate in effect at the date of initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into US dollars by using the exchange rate at the date the value is determined and the related translation difference s are recognized in the statement of comprehensive loss.

Financial Instruments

Financial assets and financial liabilities, including derivatives, are measured at fair value through the Statement of Comprehensive Income/(Loss) on initial recognition and recorded in the Statement of Financial Position. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair valued, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities at fair value through profit and loss are measured at fair value with changes in those fair values recognized in statement of comprehensive loss. 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 loss. 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. The Company does not currently have any available-for-sale financial assets or investments in equity instruments.

Derivative instruments, including embedded derivatives, are measured at fair value with any changes in the fair values of derivative instruments being recognized in profit and loss with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges. The disclosure of the Company's financial instruments is further described in Notes 8 and 16.

Note 5 Significant Accounting Policies – (cont'd)

Financial Instruments – (cont'd)

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Receivables, deposits and restricted cash are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, current portion of long-term debt, agreements payable and convertible debt payable are classified as other financial liabilities and are measured at amortized cost. The convertible promissory note payable is measured at fair value using the fair value option for financial instruments. Embedded derivatives and instruments measured at fair value are classified as fair value through profit or loss and measured at fair value.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Derivative Financial Instruments

The Company may issue compound financial instruments with embedded derivatives. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive loss.

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. Subsequent to initial recognition, the host contact liability is measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or accretion expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability on initial recognition.

The embedded derivative is fair valued each reporting period using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

Note 5 Significant Accounting Policies – (cont'd)

Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods. None of these pronouncements are expected to have a significant effect on the consolidated financial statements, other than what is stated below.

- The Company has early adopted amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition that is January 1, 2010.

- IFRS 9 "Financial Instruments": IFRS 9 is part of the IASB's wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on its financial position.

- IFRS 10 Consolidated Financial Statements: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 11 Joint Arrangements: IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 13 Fair Value Measurement: IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

Note 5 Significant Accounting Policies – (cont'd)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Note 6 Mineral Properties

South Dakota, USA

Dewey Burdock Project – Custer and Fall River Counties

The Company's Dewey-Burdock Project is located in the Edgemont Uranium District. The Project is comprised of approximately 50 mining leases and approximately 370 mining claims covering approximately 14,500 surface acres and 17,800 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. To date, $50,000 has been paid. The balance of the purchase price of $750,000 is payable contingent upon receipt of permits and authorizations necessary to commence mining on the property and therefore not recorded as a liability until the contingent events are satisfied. This contingent event has not occurred nor is it expected to occur in the next 12 months. 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 collateralized by a promissory note and a mortgage on the mineral interest. See Note 8.

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, for consideration of $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. To date, $90,000 has been paid. 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. This contingent event has not occurred nor is it expected to occur in the next 12 months. 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 collateralized 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. 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.

In January, 2009, the Company entered into a Mineral Deed and Assignment with Neutron Energy, Inc. ("Neutron"), whereby Neutron agreed to transfer and assign to the Company all of its right title and interest in certain real property in Custer and Fall River Counties, South Dakota, located within and adjacent to the Company's Dewey Burdock Project, in exchange for the acquisition of approximately 6,072 acres of the Company's non-core claims and leases in New Mexico, Wyoming and South Dakota. The acreage acquired from Neutron consists of approximately 1,620 acres of claims and leases within the Company's proposed permit area at Dewey-Burdock and an additional 4,380 acres of prospective claims and leases outside of the Company's initial proposed permit area but adjacent to the Dewey-Burdock Project. The terms of the agreement provide for the retention of

Note 6 Mineral Properties – (cont'd)

South Dakota, USA – (cont'd)

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

a 30% net proceeds interest by Neutron from future production on the acquired acreage and the Company will be the operator.

As at December 31, 2011, restricted cash is $22,215 (December 31, 2010 and January 1, 2010: $22,215) on this property with respect to potential reclamation activities.

During the year ended December 31, 2011, the Company decided not to renew portions of certain lease agreements associated with its Dewey-Burdock project. As a result, the Company wrote-down historical capitalized costs associated with those leases in the amount of $57,600. There were no such charges for the year ended December 31, 2010.

Plum Creek Prospect, Fall River County

During 2011 and 2010, the Company elected not to continue its annual maintenance payments on its claims at the Plum Creek Prospect, as a result the Company wrote-down historical capitalized costs associated with Plum Creek in the amount of approximately $nil (December 31, 2010:$37,000).

While there is still uranium potential in the area based on historical drill hole data, the Company believes it can relocate mining claims in this area in the future.

Colorado, USA

Centennial Project – Weld County

The Company's Centennial Project is located in western Weld County in northeastern Colorado. As of December 31, 2011, through property purchase and/or lease agreements, the Centennial Project is comprised of approximately 3,600 acres of surface rights and approximately 7,100 acres of mineral rights. These transactions were completed as follows:

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. During September 2010, the Company renegotiated its annual payment of $250,000 to $50,000 due September 2010 and increased the 2011 and 2012 annual payments by $100,000 each. To date $805,000 has been paid. During September 2011, instalment payments were renegotiated to the following terms: 2011 through 2013: $5,000 and 2014 through 2016: $395,000. (See Note 8) An additional lump sum payment of $2,000,000 is due upon receipt of all regulatory permits and licenses allowing production of uranium from the property. This contingent event has not occurred nor is it expected to occur in the next 12 months. 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 fiscal year ended March 31, 2007, the Company also acquired 320 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.

Note 6 Mineral Properties – (cont'd)

Colorado, USA – (cont'd)

Centennial Project – Weld County – (cont'd)

c) During the fiscal 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) During June 2009, the Company entered into two option agreements for the purchase of an aggregate of 3,585 acres of land, together with the associated water, mineral and lease interests, within the Centennial Project in Weld County, Colorado, for $11,450,000. The optioned properties are adjacent to the existing northern portion of the Company's Centennial Project. The properties help to consolidate the Company's land position within the planned project boundary and add additional uranium mineral resources to the project.

   For the exclusive rights of these options, the Company paid $197,000 during the three month period ended June 30, 2009. The Company may at its option pay the remaining balance over a 12 and 24 month period. Such option payments, if elected, are due in July 2009, June 2010 and June 2011. During July 2009, the Company made its July 2009 option payment in the amount of $1,530,000. During June 2010, the Company made its June 2010 option payment in the amount of $375,000. During June 2011, the Company did not exercise its option thus terminating the option agreements. As a result, the Company wrote-down all historical charges associated with the option agreements in the amount of approximately $2,300,000.

   Any option payment made is non-refundable to the Company in the event the Company does not elect to exercise its option to complete the purchase. However, if the Company elects to exercise its option to complete the purchase, the option payments will be applied against the purchase price and the remaining balance shall be paid at closing.

   Powertech's gross mineral rights at the Centennial Project, after the termination of the option agreements, has decreased from approximately 9,500 acres to approximately 7,100 acres of mineral rights and the surface right acreage decreased from approximately 7,200 acres to approximately 3,600 acres.

As of January 1, 2010, the Company posted cash of $492,800 (included in restricted cash) with the Colorado Division of Reclamation, Mining and Safety, "DRMS", to against the performance of the Company's reclamation obligations. Due to the satisfactory completion of certain reclamation activities, this cash was reduced by $273,000 during 2010. The remaining balance at December 31, 2011 and 2010 of $219,800 is included in restricted cash. The Company intends to request release of this cash during 2012.

Wyoming, USA

Aladdin Project – Crook County

The Aladdin Project is comprised of 33 leases or options to lease. This prospect is 60 miles north of the Company's Dewey Terrace prospect, discussed below, and consists of approximately 16,000 acres of surface rights and approximately 15,000 acres of mineral rights along the northwest flank of the Black Hills Uplift.

As at December 31, 2011, December 31, 2010 and January 1, 2010, restricted cash is $10,000 on this property for reclamation activities associated with its exploration permit.

Note 6 Mineral Properties – (cont'd)

Wyoming, USA – (cont'd)

Aladdin Project – Crook County – (cont'd)

In December 2008, the Company acquired seven Wyoming State mining leases (5,626 acres) in Crook County, Wyoming from Bayswater, which are included in the above referenced amount. These properties are adjacent to and surrounding the Company's current land position in this prospect area. These properties are either adjoining, on trend, or complementary to the Company's Aladdin Project.

During the year ended December 31, 2011, the Company decided not to renew portions of certain lease agreements and elected not to continue its annual maintenance payments on 65 claims associated with its Aladdin project. As a result, the Company wrote-down historical capitalized costs associated with those leases and claims in the amount of $85,340. There were no such charges for the year ended December 31, 2010.

Dewey Terrace Project – 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. The Dewey Terrace Prospect is comprised of 16 leases and options to lease and 468 mining claims, totalling approximately 5,600 surface acres and approximately 13,000 mineral acres.

In connection with the exploration and drilling program, the Company posted cash in the amount of $17,400 with the State of Wyoming against the performance of the Company's reclamation obligations. During the period ended December 31, 2009, certain reclamation activities were performed on the property which resulted in releasing $15,400 of the posted cash. This remaining amount of $2,000 is included in restricted cash at December 31, 2011 and 2010.

In December 2008, 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.

During 2011 and 2010, the Company elected not to continue its annual maintenance payments on approximately 300 claims and four leases or options to lease. As a result, during the year ended December 31, 2011 and 2010, the Company wrote-down all historical charges associated with those claims/leases in the amount of approximately $38,745 and 113,000, respectively, (January 1, 2010: $nil).

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 and three State of Wyoming leases which cover 1,300 acres through December 31, 2009.

During 2011 and 2010, the Company elected not to continue its annual maintenance payments on its claims. As a result, during the year ended December 31, 2011 and 2010, the Company wrote-down all historical charges associated with those claims in the amount of approximately $14,000 and $117,800, respectively, (January 1, 2010:$Nil).

Note 6 Mineral Properties – (cont'd)

Powder River Basin Prospect – Campbell County

Through December 31, 2011, the Company acquired the Powder River Basin prospect through staking 319 mining claims. This 6,000 acre exploration area is now designated as the Savageton Project (named after a local abandoned townsite).

Texas, USA

Foster's Ranch Prospect – Duval County

The Company has chosen to abandon this prospect as costs associated with development are too high. As a result, the Company has written-off all capitalized costs associated with this prospect as of December 31, 2010 in the amount of approximately $134,000 (January 1, 2010: $Nil).

Note 7 Building and Equipment

	Building	Computer equipment	Field equipment	Office equipment	Vehicles	Total
Cost						
Balance, January 1, 2010	$ 92,628	$ 239,045	$ 235,136	$ 70,977	$ 169,718	$ 807,504
Additions	–	1,619	43,129	1,910	–	46,658
Balance, December 31, 2010	92,628	240,664	278,265	72,887	169,718	854,162
Retirements	–	(7,630)	(160)	(1,907)	–	(9,697)
Balance, December 31, 2011	$ 92,628	$ 233,034	$ 278,105	$ 70,980	$ 169,718	$ 844,465
Depreciation						
Balance, January 1, 2010	$ 2,087	$ 108,467	$ 111,201	$ 38,047	$ 121,674	$ 381,476
For the year	2,315	53,676	58,920	14,102	21,942	150,955
Balance, December 31, 2010	4,402	162,143	170,121	52,149	143,616	532,431
Retirements	–	(6,737)	(114)	(1,725)	–	(8,576)
For the year	2,315	36,908	45,683	9,813	18,357	113,076
Balance, December 31, 2011	$ 6,717	$ 192,314	$ 215,690	$ 60,237	$ 161,973	$ 636,931
Carrying amount						
At January 1, 2010	$ 90,541	$ 130,578	$ 123,935	$ 32,930	$ 48,044	$ 426,028
At December 31, 2010	$ 88,226	$ 78,521	$ 108,144	$ 20,738	$ 26,102	$ 321,731
At December 31, 2011	$ 85,911	$ 40,720	$ 62,415	$ 10,743	$ 7,745	$ 207,534

Subsequent to December 31, 2011, the Company sold a portion of its equipment for $240,000.

Note 8 Long-term Debt

	December 31, 2011	December 31, 2010	January 1, 2010
Agreements payable			
$100,000 payable [(a)]	$ 50,000	$ 60,000	$ 70,000
$300,000 payable [(b)]	126,175	100,256	125,766
$2,000,000 payable [(c)]	881,621	1,041,389	754,045
	1,057,796	1,201,645	949,811
Convertible debenture payable [(d)]	–	10,421,863	10,621,725
Loan facility payable [(e)]	–	14,671,053	6,900,322
Convertible promissory note payable [(f)]	1,499,035	–	–
	2,556,831	26,294,561	18,471,858
Less current portion	45,000	25,482,916	290,000
	$ 2,511,813	$ 811,645	$ 18,181,858

Re-measurement of the derivative liabilities, associated with, and included within the debt obligations above, is as follows:

(rounded to the '000,000s)

Derivative liabilities	Convertible debenture payable[(d)]	Loan facility payable[(e)]	Total
Opening balance, January 1, 2010	$ 3,700,000	$ 1,300,000	$ 5,000,000
Gain on re-measurement	(2,400,000)	(1,100,000)	(3,500,000)
Balance, December 31, 2010	1,300,000	200,000	1,500,000
Gain on re-measurement	(1,300,000)	(200,000)	(1,500,000)
Balance, December 31, 2011	$ –	$ –	$ –

Financial Instrument at Fair Value

Convertible promissory note payable[(f)]	
Balance, January 1 and December 31, 2010	$ –
Initial recognition of liability	7,700,000
Gain on extinguishment- Day 1	(4,700,000)
Gain on re-measurement	(1,500,000)
Balance, December 31, 2011	$ 1,500,000

[(a)] Agreement payable of $100,000, payable in annual instalments of $10,000 of which $50,000 (2010: $40,000) has been paid to date. As of December 31, 2011, the balance owed is $50,000. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default the lender has the option to obtain the mineral property interest for $1.

Note 8 Long-term Debt – (cont'd)

(b) Agreement payable of $300,000, payable in annual instalments of $30,000 of which $90,000 (2010: $60,000) has been paid to date. As of December 31, 2011, the balance owed is $210,000. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. 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 initial fair value was determined using a market interest rate applicable at that time. The difference between the fair value and the debt obligation is being accreted over the remaining life until maturity using amortized cost method.

During the year ended December 31, 2011, $55,919 (2010: $4,490) of accretion has been charged to the statement of comprehensive loss and credited to agreements payable.

(c) Agreement payable of $2,000,000, payable in annual instalments ranging from $5,000 to $395,000 of which $805,000 (2010: $800,000) has been paid to date. During September 2010, instalment payments were renegotiated to the following terms: 2010: $50,000; 2011 and 2012: $350,000 and 2013 and 2014: $250,000. During September 2011, instalment payments were renegotiated again to the following terms: 2011 through 2013: $5,000 and 2014 through 2016: $395,000. As of December 31, 2011, the balance owing was $1,195,000. In accordance with the accounting for restructured debt, the September 2011 renegotiation of the instalment payments is considered an extinguishment of the original loan and issuance of a new loan. As a result of this extinguishment a market discount rate of 9.25% was used to fair value the present value of the future cash flows under the new loan. The fair value of the new loan compared to the fair value of the original loan amount outstanding resulted in gain on extinguishment of debt of $240,454.

The loan does not bear interest and is secured by a first mortgage on a mineral property interest. 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 initial fair value was determined using a market interest rate applicable at that time. The difference between the fair value of approximately $881,000 at December 31, 2011 and the debt obligation of approximately $1,200,000 is being accreted over the remaining life until maturity using amortized cost method.

During the year ended December 31, 2011, $85,688 (2010: $337,344) of accretion expense has been charged to the statement of comprehensive loss and credited to agreements payable.

(d) Convertible debenture issued to Société Belge de Combustibles Nucléaires Synatom SA ("Synatom") of $7,547,400 (CAD$9,000,000) bore interest at the rate of 7% per annum, compounded annually, due February 11, 2012 which was secured by a floating charge over all of the Company's acquired property and assets. The debenture could have been 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. This debenture was extinguished during March 2011 as part of the refinancing transaction discussed below.

The principal amount of the debenture, plus accrued and unpaid interest thereon, could be converted (1) by the Company in the event that the Company had 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.

Note 8 Long-term Debt – (cont'd)

The Conversion Price and the number of Common Shares issuable upon conversion of the debenture were 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 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 compound financial instruments, the convertible debenture had an embedded derivative as the conversion price was dominated in a currency other than the Company's functional currency. The initial fair value of the embedded derivative of $3,718,272 was being accreted over the remaining life to the host contract, until maturity, using amortized cost method. For the year ended December 31, 2011, $1,139,143 (2010: $1,169,226) of accretion of has been charged to statement of comprehensive loss and credited to convertible debt.

The Company calculates the fair value of the embedded derivative each reporting period. Any resulting difference is charged to the statement of comprehensive loss and credited (debited) to derivative liabilities presented within convertible debenture payable. For the year ended December 31, 2010, approximately $2,500,000 change in fair value has been credited to statement of comprehensive loss and debited to convertible debenture payable. The embedded derivative in connection with this financial liability was de-recognized in March 2011 due to the extinguishment of the debt obligation as part of the refinancing transaction discussed below.

For the year ended December 31, 2011, $139,847 (2010: $688,481) of accrued interest of has been charged to the statement of comprehensive loss and credited to convertible debt.

(e) During October 2009, the Company entered into a loan facility (the "Loan Facility") for $12,700,000 (CAD$13,800,000) to Synatom. The Company utilized the net proceeds of the Loan Facility for working capital and to advance its mineral properties towards production. The Loan Facility was extinguished during March 2011 as part of the refinancing transaction discussed below.

The Loan Facility was divided into four equal tranches of CAD$3,450,000 each. Only the principal amount of the second tranche would be convertible into common shares of the Company at a conversion price of CAD$0.50 per common share and are subject to anti-dilution adjustments. In accordance with the accounting policy for financial instruments, the convertible debenture had an embedded derivative as the conversion price was dominated in a currency other than the Company's functional currency. The initial fair value of the embedded derivative of $1,283,526 was being accreted over the remaining life to the host contract, until maturity, using amortized cost method. For the year ended December 31, 2011, $329,446 (2010: $728,844) of accretion of has been charged to statement of comprehensive loss and credited to convertible debt.

The Company calculates the fair value of the embedded derivative each reporting period. Any resulting difference is charged to the statement of comprehensive loss and credited (debited) to derivative liability presented within loan facility payable. For the year ended December 31, 2010, approximately $1,000,000 change in fair value has been charged to statement of comprehensive loss and debited to loan facility payable. The embedded derivative was derecognized in March 2011 due to the extinguishment of the debt obligation as part of the refinancing transaction discussed below.

Note 8 Long-term Debt – (cont'd)

The first and second tranches bore interest at the rate of 7% per annum, and each of the third and fourth tranches bore interest at the rate of 9% per annum, with interest for each tranche compounding annually and accruing from the date of drawdown and payable at the respective tranche maturity date. For the year ended December 31, 2011, $236,066 (2010: $857,555) of accrued interest of has been charged to statement of comprehensive loss and credited to loan facility.

(f) During March 2011, the Company issued unsecured non-interest bearing promissory note in the principal amount of $7,701,750 (CAD$7,500,000) (the "Note") to Synatom, which is repayable in cash or common shares at Powertech's election and is due on the earlier of: (i) six months after the last permit is obtained for the Company's Dewey-Burdock project; and (ii) two years from the closing or March 15, 2013. At the election of Powertech, the Note may also be prepaid in advance in cash at anytime, provided that such prepayment is for an amount not less than CAD$250,000, or, after an initial period of 18 months, the Note may be repaid by the issuance of common shares to Synatom at a price per common share equal to the greater of CAD$0.60 per common share or a 15% discount to the 20-day volume-weighted average price of the common shares on the TSX (or such other stock exchange on which the common shares may be listed at such time) at the time of payment.

The conversion price and the number of common shares issuable upon conversion of the promissory note 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 designated the convertible promissory notes as a financial liability. The initial fair value of the convertible promissory note of $3,097,590 was determined by fair valuing the instrument and the put option using assumptions and inputs in a valuation model. The difference between the face value of the instruments $7,700,000 (CAD$7,500,000) and the initial fair value was recorded to the gain on extinguishment in the statement of comprehensive income because it related to the debt restructuring.

The Company re-measures the fair value of the promissory note each reporting period. Any resulting difference is recorded to the statement of comprehensive income (loss). For the year ended December 31, 2011, the gain on the fair value of the promissory note liability was $1,598,555. Since the conversion feature is at the discretion of the Company, there is minimal impact in the liabilities credit risk.

The fair value of the promissory note was determined to be $1,499,035 as at December 31, 2011.

The inputs used in a put option valuation model to fair value the financial liability are:

	Convertible Promissory Note	
	At Inception	**December 31, 2011**
Conversion price	$ 0.60	$ 0.60
Share price	$ 0.30	$ 0.09
Term	2 years	1.25 years
Volatility	90.37	90.37
Risk free rate	3%	3%
Dividend yield	nil	nil

As of December 31, 2011, the face value of the convertible promissory note was $7,353,000 (CAD$7,500,000).

Note 8 Long-term Debt – (cont'd)

Refinancing Transaction

On March 15, 2011, the Company closed the refinancing transaction which restructured the Company's repayment obligations on approximately $25,600,000 (CAD$25,000,000) of debt owed to Synatom. In connection with the closing of the refinancing transaction the following events occurred:

1) The Company paid $12,800,000 (CAD$12,500,000) to Synatom;

2) The Company issued a $7,700,000 (CAD$7,500,000) promissory note as discussed in (e);

3) Powertech, Powertech (USA) Inc. ("Powertech USA"), Indian Springs Land and Cattle Co., LLC ("Indian Springs") and Synatom entered into a termination, voting and lock-up agreement (the "Termination Agreement") pursuant to which all prior loans, agreements, rights and obligations among and between the parties (the "Prior Agreements") were terminated, including: (i) the CAD$9 million convertible debenture of the Company in favour of Synatom (plus accrued interest thereon); (ii) the CAD$13.8 million loan facility between Powertech and Synatom (plus accrued interest thereon); and (iii) the rights and obligations under the prior private placement agreements among the parties (including, without limitation, the anti-dilution rights, pre-emptive rights, governance and other representation rights, registration rights, right to purchase uranium and non-compete agreements by management shareholders). Under the terms of the Termination Agreement, Synatom irrevocably and unconditionally released and discharged all security interests it had in and to or affecting any of the shares, undertaking, property and assets of Powertech, Powertech USA or Indian Springs, and all original share certificates, promissory notes, debentures and other collateral or property in the possession of Synatom were delivered to the Company; and

4) The Company, Synatom, Wallace Mays, the Wallace Mays 2006 Family Trust No. 1, Richard F. Clement Jr., the Clement Family Limited Partnership, Thomas A. Doyle and Greg Burnett entered into a termination agreement whereby a shareholder's agreement dated June 2, 2008 among those parties was terminated.

Under the terms of the Termination Agreement, Synatom retains its 10.89 million common shares but has agreed that it will not sell such common shares until the earlier of: (i) eighteen months from the Closing; (ii) the date upon which a change of control occurs; and (iii) the date upon which an event of default occurs, referred to as the "Lock-up Period" without the approval of the Company. Synatom agrees to vote in favour of management's proposed slate of directors at any meeting of shareholders of the Company held during the Lock-Up Period. As a result of the completion of the Offering and the refinancing transaction, Synatom holds 10.5% of the issued and outstanding Shares, on an undiluted basis, based on 103,301,362 common shares issued and outstanding. If the Company elects to convert the principal of the convertible promissory note payable into common shares, Synatom will hold 20.2% of the issued and outstanding common shares based on 115,801,362 common shares outstanding upon conversion, assuming full conversion of the Note at CAD$ 0.60 per share.

Note 8 Long-term Debt – (cont'd)

As of December 31, 2011 principle and interest payments due are as follows:

	2012	2013-2015	2016-2017	Thereafter	Total
Agreements payable	$ 45,000	$ 915,000	$ 465,000	$ 30,000	$ 1,455,000
Convertible promissory note	–	7,353,000	–	–	7,353,000
	$ 45,000	$ 8,268,000	$ 465,000	$ 30,000	$ 8,808,000

Note 9 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

	Number	Amount	Contributed Surplus [(b)]
Balance, January 1, 2010	55,429,022	$ 50,831,518	$ 6,817,117
Stock-based compensation	–	–	38,840
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957
Share issuance [(a)]	47,872,340	23,105,250	–
Share issue costs	–	(1,626,094)	–
Agent's warrants	–	(360,619)	360,619
Stock-based compensation	–	–	8,100
Balance, December 31, 2011	103,301,362	$ 71,950,055	$ 7,224,676

[(a)] On March 15, 2011, the Company completed a public offering of 47,872,340 units (the "Units") at a price of $0.48 (CAD$0.47) per unit to raise gross proceeds of $23,100,000 (CAD$22,500,000) pursuant to a short form prospectus dated March 2, 2011 (the "Offering"). Each unit is comprised of one common share and one-half share purchase warrant. On the same day, the Company closed its refinancing transaction with Synatom, which was approved by Powertech's shareholders at a special meeting held on March 14, 2011. The closings of each of the public offering and the refinancing transaction were mutually conditional on the closing of the other. See Note 8 for discussion of the refinancing transaction.

[(b)] Contributed surplus is comprised of the fair value of stock-based compensation and the fair value of agent's warrants.

Share Purchase Warrants

At December 31, 2011, there were 27,047,872 whole share purchase warrants outstanding.

As part of the Offering discussed above, 23,936,170 whole share purchase warrants were issued. Each whole warrant (a "Warrant") will entitle the holder to purchase one common share at an exercise price of CAD$0.60 for two years following the closing of the Offering, provided that, if at any time after the date that is six months and one day following the closing of the Offering, the daily volume-weighted average price of the common share on the TSX, or on any other stock exchange on which such common share may be principally traded at the time, is equal to or greater than CAD$1.20 per common share for a period of 20 consecutive trading days, the Company may, within five days of such event, accelerate the expiry date of the Warrants by giving notice to the holders thereof. In such case, the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

Note 9 Share Capital and Contributed Surplus – (cont'd)

Share Purchase Warrants – (cont'd)

A syndicate of agents led by Salman Partners Inc. and including Dundee Securities Ltd. (collectively, the "Agent") were engaged in respect of the Offering. The Agent received a commission equal to 6.5% of the gross proceeds of the Offering (approximately $1,502,000). The commission was charged against share capital at the closing of the Offering. As additional consideration, the Agent was issued 3,111,702 agent's warrants (each an "Agent Warrant"). Each Agent Warrant entitles the holder to acquire one common share for a period of two years from the closing of the Offering at a price of CAD$0.47 per common share. The agent warrants were fair valued using the Black Scholes option pricing model using the following inputs: 90.37% volatility, 3% interest risk free rate, 2 years and 0% dividend yield. A fair value of $360,619 was charged to share capital as share issuance costs.

Also included in share issue costs was approximately $124,100 relating to legal and other fees directly related to the issuance of the shares.

Changes in share purchase warrants for the year ended December 31, 2011 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2010	Issued during the period	Expired during the period	Outstanding at December 31, 2011
March 15, 2013	$0.60	–	23,936,170	–	23,936,170
March 15, 2013	$0.47	–	3,111,702	–	3,111,702
Totals		–	27,047,872	–	27,047,872

At January 1, 2010, there were 6,000,000 share purchase warrants outstanding. These share purchase warrants entitled the holders thereof to purchase one common share for each warrant. Changes in share purchase warrants from January 1, 2010 to December 31, 2010 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at January1, 2010	Issued during the period	Expired during the period	Outstanding at December 31, 2010
June 4, 2010	$2.00	6,000,000	–	(6,000,000)	–
Totals		6,000,000	–	(6,000,000)	–

Convertible promissory Note

During March 2011, the Company issued an unsecured non-interest bearing promissory note in the principal amount of $7,700,000 (CAD$7,500,000) (the "Note") to Synatom, which is repayable in cash or common shares at the Company's election and is due on the earlier of: (i) six months after the last permit is obtained for the Company's Dewey-Burdock project; and (ii) two years from the closing or March 15, 2013. At the election of the Company, the Note may also be prepaid in advance in cash at anytime, provided that such prepayment is for an amount not less than CAD$250,000, or, after an initial period of 18 months, the Note may be repaid by the issuance of common shares to Synatom at a price per common share equal to the greater of CAD$0.60 per common share or a 15% discount to the 20-day volume-weighted average price of the common shares on the TSX (or such other stock exchange on which the common shares may be listed at such time) at the time of payment. Assuming full conversion of the Note at CAD$0.60, Synatom will acquire 12,500,000 common shares of the Company.

Note 9 Share Capital and Contributed Surplus – (cont'd)

Convertible Debenture

As of December 31, 2010, the Company had a 7% secured convertible debenture in the principal amount of CAD$9,000,000 outstanding, that was issued to Synatom pursuant to a private placement in February 2009. The principal of the debenture and accrued interest thereon was convertible into common shares of the Company at a conversion price of CAD$0.50 per common share. The debenture was settled as part of the refinancing transaction discussed in Note 8.

Loan Facility

As of December 31, 2010, the Company had drawn down CAD$13,800,000 of the principal amount of the Loan Facility. The principal amount of the second tranche, being CAD$3,450,000, was convertible into common shares of the Company at a conversion price of CAD$0.50 per common share. The Loan Facility was settled as part of the refinancing transaction discussed in Note 8.

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 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.

During May 2011, the Company's shareholders approved a 2011 Stock Option Plan (the "2011 Plan"), effective April 2011, under which it is authorized to grant share purchase options to directors, employees, contractors or consultants of the Company. The Company is permitted to grant options under the Plan equal to 10% of the issued and outstanding common shares of the Company until the 10th anniversary of the effective date of the 2011 Plan. 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 such options are granted. The Company's Board of Directors specifies a vesting period and expiry on a grant-by-grant basis.

At December 31, 2011, there were 3,725,000 options outstanding entitling the holders thereof to purchase one common share for each option held. The following is a summary of changes in options from January 1, 2010 to December 31, 2011:

Note 9 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan – (cont'd)

Grant Date	Expiration Date	Exercise (CAD)	Outstanding at January 1, 2010	Expired/ Forfeited during period	Outstanding at December 31, 2011	Vested and exercisable
May 11, 2006	May 11, 2011	$1.00	3,025,000	(3,025,000)	–	–
July 19, 2006	July 19, 2011	$1.30	200,000	(200,000)	–	–
August 1, 2006	August 1, 2011	$1.30	100,000	(100,000)	–	–
February 15, 2007	February 15, 2012	$3.00	400,000	–	400,000	400,000
May 14, 2007	May 14, 2012	$3.20	125,000	–	125,000	125,000
August 30, 2007	August 30, 2012	$1.50	900,000	–	900,000	900,000
September 4, 2007	September 4, 2012	$1.60	150,000	(50,000)	100,000	100,000
October 31, 2007	October 31, 2012	$2.15	75,000	(75,000)	–	–
January 14, 2008	January 14, 2013	$1.50	400,000	(200,000)	200,000	200,000
February 7, 2008	February 7, 2013	$1.00	400,000	–	400,000	400,000
June 18, 2008	June 18, 2013	$1.50	1,600,000	–	1,600,000	1,600,000
August 11, 2008	August 11, 2013	$1.50	125,000	(125,000)	–	–
	Totals		7,500,000	(3,775,000)	3,725,000	3,725,000
Weighted average exercise price (CAD)			$1.29	$1.18	$1.72	$1.72
Weighted average life remaining (years)			1.38		1.00	1.00

Subsequent to December 31, 2011, 450,000 stock options expired/forfeited unexercised.

Stock-based Compensation:

During the year ended December 31, 2011 stock-based compensation was $8,100 (2010: $38,840) all of which was included in mineral property costs under wages/consulting.

No options were granted during the years ended December 31, 2011 and 2010. The number of options outstanding at at December 31, 2010 is 7,500,000.

Note 10 Related Party Transactions

Key management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprise of:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Director fees	$ 61,992	$ 34,944
Management compensation and short-term benefits	1,243,851	1,399,738
	$ 1,305,843	$ 1,434,682

As of December 31, 2011, the Company had not prepaid any management and consulting fees. As of December 31, 2010, the Company had prepaid $46,500 of management and consulting fees related to January 2011 services.

At December 31, 2011and 2010, the amount of prepaid expenses capitalized to resource properties was $nil and $10,000 respectively.

Note 10 Related Party Transactions – (cont'd)

As of December 31, 2011 and 2010, the Company had an accrued liability of $8,600 and $4,500 respectively to its directors for services rendered but not yet paid.

As of December 31, 2011, under the Company's deferred compensation arrangement with certain officers, the Company has a recorded liability of $25,000 in accrued liabilities (December 31 and January 1, 2010:$nil).

No loans were made to Directors or any other key management personnel, including personally related entities during the reporting year.

The Synatom transactions discussed in Notes 8 and 9 are considered related party transactions due to significant shareholders.

Note 11 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 excluded from the statements of cash flows:

(a) Included in mineral properties cost is stock-based compensation valued at $8,100 (2010: $38,840) relating to employees who were directly involved with the mineral properties.

(b) Included in accounts payable and accrued liabilities is approximately $82,000 (2010: $72,000) relating to mineral properties.

(c) Gain on extinguishment of debt of $10,080,905, for the year ended December 31, 2011, is due to the Company's restructure of its repayment obligations on the loan facility, convertible debenture, convertible promissory note and $2,000,000 note payable. See Note 8 for a complete discussion of these transactions.

(d) Gain on re-measurement of financial and derivative liabilities was $2,966,402 for the year ended December 31, 2011 (2010: $3,955,290). Changes in the fair value of the financial and derivative liabilities are charges to the statements of comprehensive income (loss) each reporting period. See Note 8 for further discussion.

Note 12 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. In general, the mineral owners will be paid a 5% overriding royalty. 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. The majority of the 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 $215,000. As further disclosed in Note 6 an additional $2,050,000 is payable upon receipt of certain permits and authorizations.

Note 12 Commitments and Contingencies

Mineral Property Interests – Land and Mineral Lease Commitments – (cont'd)

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. Most of 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 $109,000.

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 $57,000. As further disclosed in Note 6 an additional $1,500,000 is due upon receipt of certain permits and licenses.

Claims Maintenance – The Company has secured approximately 1,200 mining claims within its various prospects. Annual maintenance costs of the mining claims are approximately $165,000.

See Note 6 for discussion of commitments related to mineral properties.

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

Management Services Agreements and Employment Agreements

The Company renewed three management services agreements and six employment agreements during the period ended December 31, 2011. The agreements require the Company to pay fees totalling approximately $90,000 per month. Certain members of the Company's management and executive team have agreed to defer a portion of their salary (ranging from 10-25%) starting November 2011 through October 2013. In addition, these agreements require the Company to record a liability for deferred compensation in the amount of approximately $18,000 per month. The Company records a liability associated with such deferred compensation until the payment date which may be upon termination of employment (as defined in the agreements), change of control (as defined in the agreements) or October 31, 2013.

Legal Matters

The Company is subject from time to time to legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, the Company's management does not believe that the outcome of any of these legal matters will have a material adverse affect on its consolidated financial position, results of operations or cash flows.

Note 12 Commitments and Contingencies – (cont'd)

Office Leases

a) 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 $57,000 (CAD$60,000) through April 2011. During November 2010, the Company entered into a three-year lease agreement for office space in Vancouver, British Columbia. Annual lease payments due beginning in May 2011 are approximately $57,600 (CAD$58,800).

b) During October 2010, the Company entered into a month-to-month lease agreement for office space in Albuquerque, New Mexico. Annual lease payments due are approximately $19,200.

c) During November 2007, the Company entered into a five-year lease agreement for office space in Greenwood Village, Colorado. Annual lease payments are approximately $125,000.

Note 13 Income Taxes

The material components of the income tax expense for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Statutory tax rates	26.50%	28.50%
Income (loss) before income taxes	$ 5,042,770	$ (4,552,600)
Expected income tax expense (recovery)	1,336,000	(1,297,000)
Increase (decrease) in income tax resulting from:		
Foreign income taxed at other than Canadian statutory rates	(381,000)	(202,000)
Non-deductible (inclusion) permanent differences	135,000	(246,000)
Impact of initial recognition exemption	94,000	-
Effect of reduction in Canadian statutory rates	(153,000)	74,000
Utilization of unused tax losses	(392,000)	1,671,000
Income tax expense	$ 639,000	$ –

Changes to the federal and provincial tax rates were announced in 2011 which resulted in an adjustment to the opening carrying value of temporary differences.

Note 13 Income Taxes- (cont'd)

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at December 31, 2011 and 2010 are summarized as follows:

	January 1, 2011	Recognized in net income	Recognized in equity	December 31, 2011
Share issue costs	$ 10,000	$ –	$ 367,000	$ 377,000
Non-capital losses carried forward	14,337,000	1,315,000	–	15,652,000
Offset against deferred tax liabilities	(9,012,000)	(1,794,000)	–	(10,806,000)
Unrecognized deferred tax assets	(5,335,000)	479,000	(367,000)	(5,223,000)
Deferred tax assets	–	–	–	–
Exploration and evaluation	(9,005,000)	(936,000)	–	(9,941,000)
Other	(7,000)	--	–	(7,000)
Promissory note at fair value	–	(1,499,000)	–	(1,499,000)
Offset against deferred tax assets	9,012,000	1,794,000	–	10,806,000
Deferred tax liabilities	–	(641,000)	–	(641,000)
Net deferred tax balance	$ –	$ (641,000)	$ –	$ (641,000)

	January 1, 2010	Recognized in net income	Recognized in equity	December 31, 2010
Share issue costs	$ 13,000	$ –	$ (3,000)	$ 10,000
Non-capital losses carried forward	10,946,000	3,391,000	–	14,337,000
Offset against deferred tax liabilities	(7,325,000)	(1,687,000)	–	(9,012,000)
Unrecognized deferred tax assets	(3,634,000)	(1,704,000)	3,000	(5,335,000)
Deferred tax assets	$ –	$ –	$ –	$ –
Exploration and evaluation	(7,325,000)	(1,680,000)	–	(9,005,000)
Other	--	(7,000)	–	(7,000)
Offset against deferred tax assets	7,325,000	1,687,000	–	9,012,000
Deferred tax liabilities	$ –	$ –	$ –	$ –
Net deferred tax balance	$ –	$ –	$ –	$ –

As at December 31, 2011, the Company had estimated non- capital losses for Canadian Tax purposes of $2.397 million (December 31, 2010: $4.5 million). These losses expire over the next 5-20 years and may be utilized to reduce taxable income derived in future years. The Company has also estimated non-capital losses for US Tax purposes of $43 million (December 31, 2010: $36.5 million). These losses have an unlimited carry forward period. A summary of these tax losses is provided below:

	Canada	United States of America	Total
2030	$ 956,000	$ –	$ 956,000
2031	1,441,000	--	1,441,000
Unlimited		43,009,000	43,009,000
	$ 2,397,000	$ 43,009,000	$ 45,406,000

Note 14 Earnings (loss) per share

Basic earnings (loss) per common share is computed by dividing income available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share is computed similarly to basic earnings per common share except that weighted average common shares is increased to include the potential issuance of dilutive common shares.

		2011		2010
Income (loss) for the year	$	4,403,966	$	(4,552,600)
Weighted average common shares				
Basic		93,595,737		55,429,022
Diluted		106,095,737		55,429,022)
Weighted average common shares				
Basic	$	0.05	$	(0.08)
Diluted	$	0.04	$	(0.08)

Note 15 Capital Management

The Company monitors its cash, debt, common shares, and stock options as capital. 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.

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 exposed to any externally imposed capital requirements

Note 16 Financial Instruments and Risk Management

The Cmpany is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

Note 16 Financial Instruments and Risk Management – (cont'd)

Classification of financial assets and liabilities measured at fair value as of December 31, 2011:

	Fair value through profit and loss	Loans and receivables	Amortized cost	Total carrying value	Fair value
Financial assets					
Current assets	$ –	$ 4,182,000	$ –	$ 4,182,000	$ 4,182,000
Financial liabilities					
Other current liabilities	–	--	(292,000)	(292,000)	(292,000)
Agreements payable	–	–	(1,058,000)	(1,058,000)	(1,058,000)
Convertible promissory note	(1,500,000)	–	–	(1,500,000)	(1,500,000)
	$ (1,500,000)	$ 4,182,000	$ (1,350,000)	$ 1,332,000	$ 1,332,000

The financial liabilities designated at fair value through profit or loss are defined as level 2, in accordance with IFRS 7, as it is derived from inputs other than quoted market prices which are observable from the liability. There have been no transfers between level 1 and 2 in any year.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive monthly reports from the Company's controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

The Company's amortized cost of its financial assets and liabilities are deemed to be carried at fair value.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, credit risk, liquidity risk and interest rate risk. In the normal course of operations, the Company is exposed to these risks. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in 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; and
- 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 16 Financial Instruments and Risk Management – (cont'd)

(i) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar will affect the Company's operations and financial results. The most significant impact of foreign currency is on the Company's net loss and other comprehensive loss due to the translation of balances denominated in a currency other than the US dollar using the temporal method. The Company is also exposed to foreign exchange risk arising from:

- cash balances held in CAD currencies;
- borrowings denominated in CAD currencies; and
- firm commitments payments settled in CAD currencies or with prices dependent on CAD 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 and accrued liabilities of $92,000 and debt obligations of $1,500,000. The debt obligation is the principal amount of the debt obligation outstanding, not the fair value at the balance sheet date.

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

As at December 31, 2011, 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 $55,000.

(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 is not exposed to significant credit risk as the GST recoverable is due from government agencies. The Company's maximum exposure to credit risk at the balance sheet date is as follows:

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Cash and cash equivalents	$ 4,057,505	$ 1,857,358	$ 3,581,859
Receivables	13,752	18,515	35,979
	$ 4,071,257	$ 1,875,873	$ 3,617,838

Note 16 Financial Instruments and Risk Management – (cont'd)

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 12 months. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations:

December 31, 2011	**Payments Due by Period**				
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Thereafter**	**Total**
Lease obligations	$ 566,186	$ 1,443,048	$ 462,169	$ 276,027	$ 2,747,430
Accounts payable and accrued liabilities	292,428	–	–	–	292,428
Agreements payable	45,000	915,000	465,000	30,000	1,455,000
Convertible promissory note [1]	–	7,353,000	–	–	7,353,000
	$ 903,614	$ 9,711,048	$ 927,169	$ 306,027	$ 11,847,858

December 31, 2010	**Payments Due by Period**				
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Thereafter**	**Total**
Lease obligations	$ 414,749	$ 1,286,049	$ 970,815	$ 42,320	$ 2,713,933
Accounts payable and accrued liabilities	329,334	–	–	–	329,334
Purchase option	6,535,000	2,813,000	–	–	9,348,000
Agreements payable	390,000	970,000	80,000	60,000	1,500,000
Loan facility [2]	14,753,587	–	–	–	14,753,587
Convertible debt [2]	10,264,496	–	–	–	10,264,496
	$ 32,687,166	$ 5,069,049	$ 1,050,815	$ 102,320	$ 38,909,350

January 1, 2010	**Payments Due by Period**				
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Thereafter**	**Total**
Lease obligations	$ 796,562	$ 877,371	$ 241,462	$ 45,627	$ 1,961,022
Accounts payable and accrued liabilities	576,303	–	–	–	576,303
Purchase option	375,000	9,348,000	–	–	9,723,000
Agreements payable	290,000	870,000	330,000	100,000	1,590,000
Loan facility [2]	–	6,646,455	–	–	6,646,455
Convertible debt [2]	–	9,110,216	–	–	9,110,216
	$ 2,037,865	$ 26,852,042	$ 571,462	$ 145,627	$ 29,606,996

[1] The convertible promissory note may be repaid in cash or shares. This amount represents the actual debt obligation not its fair value at the balance sheet date. See Notes 8 and 9 for further discussion.

[2] The convertible debenture and the second tranche of the loan facility were restructured during March 2011, see Note 8 for further discussion.

Note 16 Financial Instruments and Risk Management – (cont'd)

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 Company did not have any interest-bearing borrowings as at December 31, 2011. The only interest-bearing borrowing as of December 31, 2010 and January 1, 2010 were the convertible debenture and the loan facility, which had a fixed interest rate

Note 17 Write-downs

During 2011, the Company chose not to exercise certain option payments related to its Centennial Project, not to continue its annual claims maintenance fees for certain claims as those claims are not deemed valuable at this time to the Company's projects and not to renew certain lease obligations that are not deemed valuable at this time to the Company's projects. As a result, the Company wrote-off all historical charges associated with the option agreements in the amount of approximately $2,500,000.

During 2010, the Company chose not to continue its annual claims maintenance fees for certain claims as those claims are not deemed valuable at this time to the Company's projects. As a result, the Company wrote-off all historical charges associated with these claims. The Company has also taken impairment charges related to its prospects that it has chosen to abandon as of December 31, 2010. Total impairment charges as of December 31, 2010 are approximately $403,000.

See Note 6 for further discussion of these write-downs.

Note 18 Segment Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities, all of which are located in the United States.

POWERTECH URANIUM CORP.

(An Exploration Stage Company)
MANAGEMENT DISCUSSION AND ANALYSIS
(March 5, 2012)

GENERAL

The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated financial statements of Powertech Uranium Corp. (the "Company" or "Powertech") and notes thereto for the year ended December 31, 2011.

Additional information about the Company is available on SEDAR at www.sedar.com. All dollar amounts are stated in United States' dollars unless noted. References to "CAD$" refer to Canadian currency and "$" to United States currency.

DISCLAIMER FOR FORWARD LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative and grammatical variations) of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views, and are based on certain assumptions, and speak only as of March 5, 2012. These assumptions, which include, management's current expectations, estimates and assumptions about certain projects and the markets the Company operates in, the global economic environment, interest rates, exchange rates and the Company's ability to manage its assets and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause its actual results to differ materially from those expressed or implied by the forward looking statements, including, but not limited to: (1) that events in Japan in early 2011 may affect public acceptance of nuclear energy and the Company's permitting timelines; (2) a decrease in the market price of uranium; (3) a decrease in the demand for uranium and uranium related products; (4) discrepancies between actual and estimated mineral resources and mineral reserves; (5) changes to the cost of commencing production and the time when production commences, and actual ongoing costs; (6) the occurrence of risks associated with the development and commencement of mining operations; (7) unforeseen or changed regulatory restrictions, requirements and limitations, including environmental regulatory restrictions and liability and permitting restrictions; (8) the failure to obtain governmental approvals and fulfill contractual commitments, and the need to obtain new or amended licenses and permits; (9) unforeseen changes in the costs of material inputs, including fuel, steel and other construction materials; (10) the loss of key employees; (11) the loss of, or defective title to, exploration and mining claims, rights, leases or licenses; (12) the number of competitors; (13) political and economic conditions in uranium producing and consuming countries; (14) failure to obtain additional capital at all or on commercially reasonable terms; (15) other factors beyond the Company's control; and (16) those factors described in the section entitled "Risk Factors and Uncertainties" in this MD&A.

Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from statements made in or incorporated by reference in this MD&A. The Company undertakes no obligation to

update forward-looking statements if management's beliefs, estimates and opinions or the Company's circumstances as at the date hereof should change. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether; as a result of new information, future events or otherwise. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether, as a result of new information, future events or otherwise.

OVERALL PERFORMANCE

Nature of Business

The Company is a mineral exploration/development company which, through its wholly-owned subsidiary Powertech (USA), Inc. ("Powertech USA"), is focused on the exploration and development of uranium properties in the United States. Powertech's principal assets are comprised of mineral properties in Colorado, South Dakota, and Wyoming. The properties have been acquired through purchase agreements, lease agreements or staking claims. Powertech's common shares are listed for trading on the Toronto Stock Exchange ("TSX") (symbol "PWE") and the Frankfurt Stock Exchange

Industry Trends

The earthquake and tsunami in Japan in March 2011, with the resultant damaging effect on that country's nuclear reactors, negatively affected public opinion regarding nuclear energy as a safe and viable source of power. Since the occurrence of these events, the Company and other companies engaged in uranium exploration and development have experienced a reduction in the trading prices of their shares on applicable stock exchanges. Further, a number of heads of government and their legislative bodies announced reviews and/or delays of plans to develop new nuclear power facilities. However, in recent months, certain governments have publicly announced intentions to proceed with nuclear projects. The United States Nuclear Regulatory Commission (the "NRC") recently approved the licensing of new nuclear reactors in the United States for the first time in 34 years, although the Chairman of the NRC has publicly stated that a more stringent review of design risks will be undertaken for both existing facilities and future applications for new nuclear power facilities. Government officials in India have recently announced that the Indian nuclear programme has the potential to provide long term energy security for that country and are planning a 14 fold expansion in nuclear power generation in the next twenty years from 4,800 MW to 63,000 MW. In Canada, Ontario Power Generation recently stated that it intends to proceed with the refurbishing and expansion of the Darlington, Ontario nuclear station, while incorporating lessons learned from Fukushima in the plans for such refurbishment and expansion. While the Company perceives these developments as favourable to the uranium industry, other relevant regulatory bodies may still react to the events in Japan, resulting in additional delays or barriers in permitting and licensing new uranium production operations. The Company has not yet determined the long-term impact such events will have on the Company's financial condition, results of operations and permitting plans, particularly as pertains to the Company's Dewey-Burdock Project, which is at an advanced stage in the permitting process.

Resource Property Interests

South Dakota, USA

Dewey-Burdock Project – Custer and Fall River Counties

The Company's Dewey-Burdock Project is located in the Edgemont Uranium District. The Project is comprised of approximately 50 mining leases and approximately 370 mining claims covering approximately 14,500 surface acres and 17,800 net mineral acres.

On February 8, 2011, the Company filed an updated technical report entitled "NI 43-101 Preliminary Assessment Dewey-Burdock Project, Custer and Fall River Counties, South Dakota, USA" which was prepared by SRK Consulting (U.S.), Inc. and endorsed by Qualified Persons, Allan V. Moran, R.G., CPG and Frank A. Daviess, MAus IMM of SRK Consulting (U.S.), Inc. and John I. Kyle, P.E. of Lyntek Incorporated.

On March 1, 2010, the Company filed an updated technical report entitled "Updated Technical Report on the Dewey-Burdock Uranium Project Custer and Fall River Counties South Dakota" which was prepared by Jerry Bush, Certified Professional Geologist.

The Company's business objectives are currently focused on obtaining the necessary permits and licenses for this project. In order to obtain such permits and licenses, the Company must:

- continue to interface with the NRC regarding its license application, which was submitted in August 2009 and deemed complete in October 2009;
- continue to interface with the Bureau of Land Management ("BLM") regarding its Plan of Operations which was submitted October 2009 and considered administratively complete in March 2010;
- submit an ISR large-scale mine permit application to the South Dakota Department of Environmental and Natural Resources (the "DENR");
- submit a groundwater discharge permit application to the DENR;
- continue to interface with the United States Environmental Protection Agency (the "EPA") regarding its underground injection control ("UIC") Class III and Class V permit applications, of which the Class III application was submitted in December 2008 and deemed complete in February 2009, and the Class V application was submitted to EPA in March 2010 and deemed complete in April 2010;
- submit a water rights permit to the DENR; and
- respond to any requests for additional information from the NRC and all other agencies necessary to obtain the necessary licenses and permits.

The NRC is expected to provide a draft Supplemental Environmental Impact Statement ("SEIS") for the Dewey-Burdock Project in 2012. After a public comment period, the NRC will respond to any comments it may receive from other federal government agencies and the public, and then provide a final SEIS, which is expected in the first half of 2013. The NRC is also preparing a Safety Evaluation Report ("SER"), which is schedule to be complete by June 2012. The license from the NRC, and the ancillary permits, are expected to be obtained in 2012 and 2013.

During January 2012, the NRC published a schedule for completion of the above items as follows:

Report type	Estimated completion date
Draft SEIS	August 2012
SER	June 2012
Final SEIS	First half of 2013

This schedule has remained in place since October 2011.

In December 2011, NRC notified Powertech the response of the Request for Additional Information on the Technical Report submitted June 2011 was deemed sufficient for technical review. Additionally, Powertech met with NRC staff in December 2011 in Washington DC to present its initial draft of a ground water model of the Dewey-Burdock Project. This model is expected to be submitted in March 2012 and expected to facilitate the permitting process with NRC and other agencies.

On January 2012, Powertech responded to EPA on questions presented on the Underground Injection Control Class V permit application for deep disposal injection. It is expected that the responses are sufficient to proceed to draft permit pending approval.

Powertech's preparation of several permit applications to the DENR of South Dakota is well advanced and Powertech has been focused on this activity during the past quarter. These applications include the groundwater discharge permit, the water rights permit and the ISR large scale mine permit, all of which are on schedule to be submitted within the first half of 2012. The applications are being prepared under the direction of WWC Engineering and have been discussed at numerous meetings with the DENR staff during the past quarter.

Powertech has continued work with EPA on the UIC Class III permit application with assistance from WWC Engineering and Petrotek. This work includes updating the Application submitted January 2008. The update will include information supplied to the NRC in June 2011 as well as a revised basis for the aquifer exemption boundary. The update is planned for submittal following review meetings scheduled in February and March 2012.

Details of the expenditures incurred on the Dewey-Burdock Project can be found under the heading entitled "Resource Property Interests – Capitalized Costs".

Plum Creek Prospect, Fall River County

During 2011 and 2010, the Company elected not to continue its annual maintenance payments on its claims at the Plum Creek Prospect, as a result the Company wrote-down historical capitalized costs associated with Plum Creek in the amount of approximately $nil (December 31, 2010:$37,000).

While there is still uranium potential in the area based on historical drill hole data, the Company believes it can relocate mining claims in this area in the future.

Colorado, USA

Centennial Project – Weld County Colorado

The Company's Centennial Project is located in western Weld County in northeastern Colorado. Through property purchase and/or lease agreements, the Centennial Project is comprised of approximately 3,600 acres of surface rights and approximately 7,100 acres of mineral rights.

During 2011, the Company elected to terminate two option agreements to acquire certain properties, together with associated mineral rights, related to the Centennial Project. As a result of the termination of these agreements, surface rights acreage decreased by approximately 3,600 acres and the mineral rights acres decreased by approximately 2,400 acres.

On February 8, 2011, the Company filed an updated technical report entitled "NI 43-101 Preliminary Assessment Centennial Uranium Project, Weld County, Colorado" which was prepared by SRK Consulting (U.S.), Inc., and endorsed by Qualified Persons, Allan V . Moran, R.G., CPG and Frank A. Daviess, MAus IMM of SRK Consulting (U.S.) Inc. and John I. Kyle, P.E. of Lyntek Incorporated.

On June 23, 2009, the Company filed an updated technical report entitled "Updated Technical Report on the Centennial Uranium Project Weld County, Colorado" which was prepared by James Bonner, Certified Professional Geologist.

Powertech has completed a significant amount of work focused primarily on preparing the Centennial Project for in situ ("ISR") leach permitting and feasibility. This work has included drilling, recovery tests, water well tests and environmental studies. At the request of the Colorado Division of Reclamation, Mining and Safety ("CDRMS"), the Company prepared and submitted an updated Site Characterization Plan in April 2009. All the required environmental surveys and studies have been completed and the draft reports have been received. Powertech completed its application to EPA for a Class I UIC Permit in November 2010. In December 2010, EPA informed the Company that the application was deemed complete. The Company has decided to forego additional permitting activities on Centennial until the completion of the permitting and licensing of Dewey-Burdock in order to conserve cash and focus activities on its most advanced project.

Details of the expenditures incurred on the Centennial Project can be found under the heading entitled "Resource Property Interests – Capitalized Costs".

Wyoming, USA

The Company currently does not have any ongoing exploration activity at its Wyoming projects/prospects as it has prioritized its resources to the permitting activities at its Dewey-Burdock Project. While the Company continues to

maintain the prospects in expectation of future development, there are no additional exploration activities or expenditures planned with respect to these properties for the 2012 fiscal year. The Company did not incur any expenditures on its Wyoming projects other than necessary claim fees and land/lease payments and staff time to review, compile, and evaluate historic drilling results, as well as results from the Company's 2007 exploratory drilling program.

Aladdin Exploration Project – Crook County

The Company acquired the Aladdin Project through the acquisition of private and State of Wyoming mining leases and through the staking of federal mining claims. This Project is located along the northwest flank of the Black Hills Uplift in a geologic environment similar to that of the Dewey-Burdock Project area. The Company is focused on the highly prospective portion of the project area and has released some lower-priority properties. In 2011, all outlying mining claims, two State of Wyoming leases and one private mining lease were released. The Aladdin Project area contains approximately 16,000 acres of surface rights and approximately 15,000 acres of mineral rights.

There is a historic uranium resource within the project area of 1.2 million pounds U3O8. This historical estimate was prepared in April 2007, by R.B. Smith & Associates, a geological consulting firm. This firm had access to and used drill hole data from Teton Exploration's 1800-hole historic exploratory drilling program on the Aladdin Project. A 0.02% U3O8 grade cut-off and a GT (Grade X Thickness) cut-off of 0.10 were applied to all mineralized intercepts. Resources were estimated by applying this GT information to a 100-foot square grid system that was superimposed over the historic drilling areas. Both mineralized and un-mineralized holes were factored into this grid system, which resulted in the calculation of a reliable global uranium resource estimate for the project. This grid system evaluation provides no categorization of uranium resources and is not compliant with National Instrument 43-101. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and the Company is not treating the historical estimate as current mineral resources or mineral reserves. However, at the present time, Powertech is conducting subsurface mapping of multiple mineralized units within the project and will perform a GT contouring analysis. This resource evaluation will utilize historic drilling results, as well as results from the Company's 2007 exploratory drilling program and will upgrade the historical estimate to a current mineral resource.

The Company has also had two recent meetings with Aladdin Project landowners concerning lengthening the term and eliminating bonus payments associated with the existing leases. The meetings were positive and draft amendments to restructure the existing leases have been mailed to the landowners. Discussions will continue and a resolution is envisioned well before the third quarter exercise dates of the current leases.

During the year ended December 31, 2011, as discussed above, the Company decided not to renew portions of certain lease agreements and elected not to continue its annual maintenance payments on 65 claims associated with its Aladdin project. As a result, the Company wrote-down historical capitalized costs associated with those leases and claims in the amount of $85,340. There were no such charges for the year ended December 31, 2010.

Dewey Terrace Project – Weston and Niobrara Counties

The Dewey Terrace Project is located in Weston and Niobrara Counties, Wyoming on the western continuation of mineralized trends from the Dewey-Burdock Project in South Dakota. The Company acquired this prospect primarily through the staking of federal mining claims, along with the acquisition of private and State of Wyoming mining leases.

In 2011, the Company consolidated its land position into the southern portion of the project area where the uranium exploration potential is considered to be the highest. In this southern area, a small historic resource was developed in the 1980's and projections of mineralized trends from Dewey-Burdock are expected. However, one private mining lease was acquired within the favorable area. The Company controls 468 mining claims, along with eight private and State of Wyoming mining leases in the project area for a total of approximately 5,600 acres of surface rights and approximately 13,000 acres of mineral rights.

During 2011 and 2010, the Company elected not to continue its annual maintenance payments on approximately 300 claims and four leases or options to lease. As a result, during the year ended December 31, 2011 and 2010, the Company wrote-

down all historical charges associated with those claims/leases in the amount of approximately $38,745 and 113,000, respectively, (January 1, 2010: $nil).

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 and three State of Wyoming leases through December 31, 2009. During 2011 and 2010, the Company elected not to continue its annual maintenance payments on its claims. As a result, during the year ended December 31, 2011 and 2010, the Company wrote-down all historical charges associated with those claims in the amount of approximately $14,000 and $117,800, respectively, (January 1, 2010:$Nil). The Company still maintains three State of Wyoming mining leases, totaling approximately 1,300 acres on land that is strategically located with respect to mapped, regional mineralized trend.

Powder River Basin (Savageton Project) – Campbell County

As of December 31, 2011, the Powder River Basin prospect consisted of 319 mining claims. This 6,000 acre exploration area is now designated as the Savageton Project (named after a local abandoned townsite). Included within these claims is a historic uranium resource of 1.0 million pounds U3O8. This historic resource was calculated by the Colorado School of Mines Research Institute (CSMRI) in 1976, using exploration drill hole data provided by Getty Oil Company. CSMRI was a professional research organization, well-respected by the uranium industry and whose uranium resource estimates were suitable for public disclosure. A geostatistical method of resource estimation, specifically developed for sedimentary basin roll front deposits, was used by CSMRI. This method utilized uranium intercept data obtained from closely-spaced drill holes, along drill-hole fences oriented perpendicular to the mineralized trend. In addition to generating a total resource estimate, this method also estimated an average width and grade of the deposit. This geostatistical methodology provides no categorization of uranium resources and is not compliant with National Instrument 43-101. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and the Company is not treating the historical estimate as current mineral resources or mineral reserves.

Resource Property Interests – Capitalized Costs

Costs reflected in resource property interests for the years ended December 31, 2011 and 2010 are detailed below:

	South Dakota	Wyoming	Colorado	Other	Total
Balance, January 1, 2010	$21,173,616	$3,315,088	$15,053,520	$ 134,289	$ 39,676,513
Acquisitions	–	–	375,000	–	375,000
Land services	36,180	–	36,070	–	72,250
Legal fees	302,828	–	233,101	–	535,929
Claims fees	63,062	117,070	–	–	180,132
Land/lease payments	532,612	73,749	122,264	–	728,625
Drilling/ Engineering	38,268	–	129,250	–	167,518
Feasibility study	160,263	–	160,441	–	320,704
Permitting	1,317,733	–	427,685	–	1,745,418
Impairment	(36,847)	(231,716)	–	(134,289)	(402,852)
Wages/consulting	852,719	–	632,820	–	1,485,539
Balance, December 31, 2010	$24,440,434	$3,274,191	$17,170,151	$ –	$ 44,884,776
Land services	21,000	21,000	21,000	–	63,000
Legal fees	239,271	–	(2,332)	–	236,939
Claims fees	54,960	161,401	–	–	216,361
Land/lease payments	141,889	76,947	37,116	–	255,952
Drilling/ Engineering	21,380	–	(1,043)	–	20,337
Permitting	1,285,087	–	–	–	1,285,087
Exploration	–	5,000	–	–	5,000
Impairment	(57,600)	(138,125)	(2,303,441)	–	(2,499,166)
Wages/Consulting	911,386	60,750	222,375	–	1,194,511
Balance, December 31, 2011	$ 27,057,807	$3,461,164	$15,143,826	$ –	$ 45,662,797

SELECTED ANNUAL INFORMATION

The following table summarizes selected consolidated financial information for the Company's three most recently completed financial years. All amounts shown are stated in United States dollars, the Company's functional and reporting currency, in accordance with International Financial Reporting Standards ("IFRS"). The following annual results are compliant with IFRS: December 31, 2011 and 2010. Annual results for the year ended December 31, 2009 has been presented in accordance with Canadian GAAP and has not been restated to IFRS. The changes in the Company's reported results in 2010 and 2011 were the result of the Company's adoption of IFRS and not an underlying change in its business.

	2011	2010	2009
Statement of Operations			
Interest income	$ 20,757	$ 33,841	$ 8,430
Interest expense	(375,913)	(1,546,036)	(561,217)
Impairment charges	(2,499,166)	402,852	–
Gain re-measurement of derivative liability	2,966,402	3,955,290	–
Gain on extinguishment of debt	10,080,905	–	–
G&A and other expenses	(5,150,215)	(6,592,872)	(3,835,738)
Future income tax expense	(638,804)	–	–
Net income/(loss)	4,403,966	(4,552,629)	(4,388,525)
Net income/(loss) per basic share	0.05	(0.08)	(0.08)
Balance Sheet			
Cash and cash equivalents	4,057,505	1,857,358	3,581,859
Total assets	50,311,069	47,553,301	45,000,956
Working capital/(deficit)	3,844,279	(23,750,884)	2,964,630
Long-term debt	2,849,259	811,645	13,606,403

RESULTS OF OPERATIONS

During the year ended December 31, 2011, the Company continued to focus on expanding and advancing its resource property interests. Net income was $4,403,966 for the year ended December 31, 2011 compared to net loss of $4,552,629 for the year ended December 31, 2010.

Audit and accounting fees increased to $158,609 from $85,520 for the year ended December 31, 2011 and 2010, respectively. This increase is primarily due to the audit fees associated with the Company's public offering and its transition to IFRS during the first half of 2011. See Financing, Liquidity and Capital Resources, below for a discussion of the public offering.

Community and media relations expenses decreased to $22,605 from $107,046 for the year ended December 31, 2011 and 2010, respectively, as a result of the Company's continued efforts to bring such activities in-house rather than continuing to engage external consultants.

Director fees increased to $61,992 from $34,944 for the year ended December 31, 2011 and 2010, respectively, due to additional board members joining during the second quarter of 2011.

Filing fees increased to $120,781 from $21,776 for the year ended December 31, 2011 and 2010, respectively, primarily due to fees regarding the public offering during the first quarter of 2011. See Financing, Liquidity and Capital Resources, below for a discussion of the public offering.

Investor relations and promotion expenses decreased to $69,487 from $96,237 for the year ended December 31, 2011 and 2010, as a result of the Company's continued efforts to bring such activities in-house rather than continuing to engage external consultants.

Transfer agent fees increased to $22,349 from $9,892 for the year ended December 31, 2011 and 2010, respectively, due to activities associated with the public offering during the first quarter of 2011. See Financing, Liquidity and Capital Resources, below for a discussion of the public offering.

Interest expense decreased to $375,913 for the year ended December 31, 2011 from $1,546,036 for the year ended December 31, 2010 due to the debt extinguishments discussed under the heading "Closing of Refinancing Transaction and Restructuring of Debt" and in Note 8 of the Company's December 31, 2011 financial statements, which were filed on SEDAR as of the date of this MD&A.

Gain on extinguishment of debt was $10,080,905 for the year ended December 31, 2011 was primarily due to the refinancing transaction discussed in the Financing, Liquidity and Capital Resources section below and the restructure of the payment obligations associated with the Company's $2,000,000 note payable and the possible settlement of the convertible promissory note based on the Company's share price at December 31, 2011. There were no such transactions during 2010. See discussion under the heading "Closing of Refinancing Transaction and Restructuring of Debt" and in Note 8 of the Company's December 31, 2011 financial statements, which were filed on SEDAR as of the date of this MD&A for a complete discussion of these transactions.

Future income tax expense was $638,804 for the year ended December 31, 2011 compared to $nil during December 31, 2010. As the Company has the option to settle the convertible promissory note through the issuance of shares rather than paying cash, this created a significant possible gain on the extinguishment of debt for the Company. As a result of this possible gain, the Company has recorded the potential tax impact on that transaction.

The Company's operating expenses and capitalized costs are directly related to resource property exploration and development and the Company's general and administrative costs are related to the maintenance of its public listing and development of its resource property interests.

SUMMARY OF QUARTERLY RESULTS

The following tables provide selected financial information for the most recent eight quarters, stated in United States dollars in accordance with IFRS:

	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Income Statement				
Interest income	$ 5,627	$ 8,823	$ 4,248	$ 2,059
Interest expense	–	–	–	(375,913)
Impairment charges	(195,725)	–	(2,303,441)	
Gain on re-measurement of derivative liability	1,160,418	166,498	105,168	1,534,318
Gain on extinguishment of debt	4,408,999	240,454	–	5,431,452
G&A and other expenses	(289,199)	(603,508)	(941,296)	(3,316,212)
Future income tax expense	(638,804)	–	–	–
Net income/(loss)	4,323,228	(187,733)	(3,135,321)	3,403,792
Net income/(loss) per share, basic	0.05	(0.00)	(0.03)	0.03
Balance Sheet				
Cash and cash equivalents	4,057,505	5,015,196	7,085,313	9,131,986
Total assets	50,911,069	51,495,175	52,728,780	55,889,993
Working capital	3,844,279	4,905,337	6,307,137	8,438,255
Long-term debt	2,849,259	8,218,763	8,557,716	8,558,107

	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Income Statement				
Interest income	$ 33,273	$ –	$ 430	$ 138
Interest expense	(488,659)	(434,588)	(354,032)	(268,757)
Impairment charges	(402,852)	–	–	–
Gain (loss) on re-measurement of derivative liability	(805,751)	161,967	1,685,246	2,913,828
Gain on extinguishment of debt	–	–	–	–
G&A and other expenses	(2,138,017)	(1,495,058)	(864,297)	(2,095,500)
Future income tax expense	–	–	–	–
Net income (loss)	(3,802,006)	(1,767,679)	467,347	549,709
Net income (loss) per share, basic and diluted	(0.07)	(0.03)	0.01	0.01
Balance sheet				
Cash and cash equivalents	1,857,358	3,144,161	5,749,254	4,963,230
Total assets	48,153,301	49,388,292	50,109,737	47,628,663
Working capital/(deficit)	(23,750,884)	(7,795,520)	(1,257,343)	4,394,723
Long-term debt	811,645	12,990,500	15,889,860	20,229,067

During the three months ended December 31, 2011, the Company continued to focus on development of its mineral property interests. Net income during the three months ended December 31, 2011 was $4,323,228 compared to net loss of $3,802,006 in the three months ended December 31, 2010. This is primarily due to a general decrease in general and administrative expenses, impairment charges, interest expense and changes in the re-measurement of derivative liability as discussed below.

During the quarter ended December 31, 2011, the Company continued its efforts to reduce its costs compared to the same period in 2010. As a result, Community and media relations and Investor relations and promotion costs were significantly reduced as the Company discontinued its use of third-party consultants for these activities. Management and consulting fees and wages and benefits were lower due to a decrease in the number of employees.

Interest income decreased for the quarter ended December 31, 2011 to $5,627 from $33,273 in the prior period due to the release of reclamation bonding funds from the state of Colorado due to the completion of certain reclamation activities at the Centennial project. The funds accrue interest at a variable rate set by the state which are credited to the Company at the time the associated bond is released.

Interest expense decreased to $nil from $488,659 due to the refinancing transaction discussed in Financing, Liquidity and Capital Resources, below.

During the quarter ended December 31, 2011 and 2010, the Company decided not to maintain certain claims associated with its mineral properties. As a result, all historical costs associated with those claims were written-off. In addition, the Company has taken impairment charges related to its prospects that have not had any activities that would advance the prospect to the next stage of development as of December 31, 2010. Total impairment charges were $195,725 and $402,852 for the three months ended December 31, 2011 and 2010, respectively.

Accretion expense was significantly less than the prior period as a result of the refinancing transaction and the restructure of the $2,000,000 note payable as discussed under the heading "Closing of Refinancing Transaction and Restructuring of Debt" and in Note 8 to the Company's annual financial statements, which are filed as of the date of this MD&A and are available on SEDAR at www.sedar.com.

Re-measurement of the derivative liability associated with the convertible promissory note resulted in a gain of $1,160,418 for the quarter ended December 31, 2011 compared to a loss of $737,133 for the quarter ended December 31, 2010. See discussion under the heading "Closing of Refinancing Transaction and Restructuring of Debt" and in Note 8 to the Company's annual financial statements, which are filed as of the date of this MD&A and are available on SEDAR at www.sedar.com.

Gain on extinguishment of debt was $4,408,999 due to the Company's ability to settle its convertible promissory note in shares rather than cash utilizing the closing share price as of December 31, 2011. See Note 8 to the Company's annual financial statements, which are filed as of the date of this MD&A and are available on SEDAR at www.sedar.com.

Future income tax expense was $638,804 for the three months ended December 31, 2011 compared to $nil during December 31, 2010. As the Company has the option to settle the convertible promissory note through the issuance of shares rather than paying cash, this created a significant possible gain on the extinguishment of debt for the Company. As a result of this possible gain, the Company has recorded the potential tax impact on that transaction.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, the Company had cash and cash equivalents of $4,057,505 and net working capital of $3,844,279. As of December 31, 2010, the Company had cash and cash equivalents of $1,857,358 and negative net working capital of $23,750,884.

Cash outflows from operating activities for the year ended December 31, 2011 was $3,085,075, which approximated cash outflows from operating activities for the year ended December 31, 2010 of $3,017,970.

Cash outflows from investing activities decreased for the year ended December 31, 2011 to $3,323,790 from $5,418,724 in the same period in 2010. Field activities at Dewey-Burdock have decreased as many of the Company's permit applications have been completed and submitted, and are under review. This is partially, offset by an increase in costs associated with the review process. The Company has decided to forego additional permitting activities on Centennial until the completion of the permitting and licensing of Dewey-Burdock. For further discussion of these Projects, see Resource Property Interests, above. The Company has ceased its spending on property, plant and equipment.

Cash inflows from financing activities such as share and debt issuances/repayments and accrued interest on said debt, provided cash of $8,714,543 and $6,606,450 for the years ended December 31, 2011 and 2010, respectively.

Although the Company is in the permitting stage on two of its projects, Dewey-Burdock and Centennial, it is currently focusing its efforts on obtaining the necessary permits and licenses for its Dewey-Burdock Project, as discussed in the Resource Property Interests section above. In order to meet its on-going obligations, the Company successfully completed a financing transaction by way of short-form prospectus, the terms of which are discussed below.

Going concern: The Company is continually evaluating additional financing opportunities to meet its operational needs. Notwithstanding previous success in acquiring financing on acceptable terms, there is no guarantee that the Company will be able to obtain funding or on what terms any such capital may be available to the Company.

The Company will incur future losses which cast doubt as to the Company's ability to continue as a going concern which is dependent upon its ability to raise the necessary funds and/or to obtain the necessary financing to meet its debt obligations and repay its liabilities arising from normal business operations when they come due. Recent events in Japan may impact the Company's ability to raise capital if the downward pressure on uranium prices continues or if public opinion turns against uranium exploration and development companies.

Financing Transactions

Equity Financing

On March 15, 2011, the Company completed a public offering of 47,872,340 units (the "Units") at a price of $0.48 (CAD$0.47) per Unit to raise gross proceeds of $23,100,000 (CAD$22,500,000) pursuant to a short form prospectus dated March 2, 2011 (the "Offering"). On the same day, the Company closed its refinancing transaction (the "Refinancing Transaction") with Sociéte Belge des Combustibles Nucléaires Synatom SA ("Synatom"), which was approved by Powertech's shareholders at a special meeting held on March 14, 2011. The closings of each of the Offering and the Refinancing Transaction were mutually conditional on the closing of the other.

As a result of the completion of the Offering, there are 103,301,362 common shares issued and outstanding. Net proceeds from the Offering after commissions, agent expenses and payment to Synatom, discussed below, was $8,700,000 (CAD$8,500,000).

Refinancing Transaction and Restructuring of Debt

On March 15, 2011, the Company also closed the Refinancing Transaction which restructured Powertech's repayment obligations on approximately $25,600,000 (CAD$25,000,000) of debt owed to Synatom. In connection with the closing of the Refinancing Transaction (the "Closing"), the following events occurred:

1. Powertech paid $12,800,000 (CAD$12,500,000) to Synatom;

2. Powertech issued an unsecured non-interest bearing promissory note in the principal amount of $7,700,000 (CAD$7,500,000) (the "Note") to Synatom, which is repayable in cash or Shares at Powertech's election and is due on the earlier of: (i) six months after the last permit is obtained for the Company's Dewey-Burdock project; and (ii) two years from the Closing. At the election of Powertech, the Note may also be prepaid in advance in cash at anytime, provided that such prepayment is for an amount not less than CAD$250,000, or, after an initial period of 18 months, the Note may be repaid by the issuance of common shares to Synatom at a price per common share equal to the greater of CAD$0.60 per common share or a 15% discount to the 20-day volume-weighted average price of the common shares on the TSX (or such other stock exchange on which the common shares may be listed at such time) at the time of payment. Powertech USA has guaranteed Powertech's obligation to repay the Note;

3. Powertech, Powertech USA, Indian Springs Land and Cattle Co., LLC ("Indian Springs") and Synatom entered into a termination, voting and lock-up agreement (the "Termination Agreement") pursuant to which all prior loans, agreements, rights and obligations among and between the parties (the "Prior Agreements") were terminated, including: (i) the CAD$9 million convertible debenture of Powertech in favour of Synatom (plus accrued interest thereon); (ii) the CAD$13.8 million Loan Facility between (plus accrued interest thereon); and (iii) the rights and obligations under the prior private placement agreements among the parties (including, without limitation, the anti-dilution rights, pre-emptive rights, governance and other representation rights, registration rights, right to purchase uranium and non-compete agreements by management shareholders). Under the terms of the Termination Agreement, Synatom irrevocably and unconditionally released and discharged all security interests it had in and to or affecting any of the shares, undertaking, property and assets of Powertech, Powertech USA or Indian Springs, and all original share certificates, promissory notes, debentures and other collateral or property in the possession of Synatom were delivered to the Company; and

4. Powertech, Synatom, Wallace Mays, the Wallace Mays 2006 Family Trust No. 1, Richard F. Clement Jr., the Clement Family Limited Partnership, Thomas A. Doyle and Greg Burnett entered into a termination agreement whereby a shareholder's agreement dated June 2, 2008 among those parties was terminated.

Under the terms of the Termination Agreement, Synatom retained its 10.89 million common share and has agreed that it will not sell such Shares until the earlier of: (i) eighteen months from the Closing; (ii) the date upon which a Change of Control (as defined in the Termination Agreement) occurs; and (iii) the date upon which an Event of Default (as defined in the Termination Agreement) occurs (the "Lock-up Period") without the approval of Powertech. Synatom has also agreed to vote in favour of management's proposed slate of directors at any meeting of shareholders of Powertech held during the Lock-Up Period. As a result of the completion of the Offering and the Refinancing Transaction, Synatom holds 10.5% of the issued and outstanding common share, on an undiluted basis, based on 103,301,362 common share issued and outstanding. If Powertech elects to convert the principal of the Note into common share, Synatom will hold 20.2% of the issued and outstanding common share based on 115,801,362 common share outstanding upon conversion of the Note.

As a result of the Refinancing Transaction, the Company was able to retire approximately $17.5 million of debt obligations which were owed to Synatom as of December 31, 2010.

CONTRACTUAL COMMITMENTS

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. In general, the mineral owners will be paid a 5% overriding royalty. 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. The majority of the 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 $215,000. As further disclosed in Note 6 of the Company's December 31, 2011 financial statements as filed on SEDAR as of the date of this MD&A an additional $2,050,000 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. Most of 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 $109,000.

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 $57,000. As further disclosed in Note 6 of the Company's December 31, 2011 financial statements as filed on SEDAR as of the date of this MD&A an additional $2,000,000 is due upon receipt of certain permits and licenses.

Claims Maintenance – The Company has secured approximately 1,200 mining claims within its various prospects. Annual maintenance costs of the mining claims total approximately $165,000.

Long-term Debt Obligations

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations as of December 31, 2011:

	Payments Due by Period				
	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	Total
Lease obligations	$ 566,186	$ 1,443,048	$ 462,169	$ 276,027	$ 2,747,430
Accounts payable and accrued liabilities	292,428	–	–	–	292,428
Agreements payable	45,000	915,000	465,000	30,000	1,455,000
Convertible promissory note (1)	–	7,353,000	–	–	7,353,000
	$ 903,614	$ 9,711,048	$ 927,169	$ 306,027	$ 11,847,858

[1]As the promissory note is convertible into common shares it may not result in a cash outflow. The fluctuation in the face value is due to changes in foreign currency rates as the debt obligation is denominated in Canadian dollars. The fair value of this obligation was $1,499,035 as of December 31, 2011. See Notes 8 and 9 of the Company's December 31, 2011 financial statements as filed on SEDAR as of the date of this MD&A for discussion regarding the terms of debt and accounting treatment.

Management Services Contracts and Employment Contracts

The Company renewed three management services agreements and six employment agreements during the period ended December 31, 2011. The agreements require the Company to pay fees totalling approximately $90,000 per month. In addition, these agreements require the Company to record a liability for deferred compensation in the amount of approximately $18,000 per month. Certain members of the Company's management and executive team have agreed to defer a portion of their salary (ranging from 10-25%) starting November 2011 through October 2013. The Company records a liability associated with such deferred compensation until the payment date which may be upon termination of employment (as defined in the agreements), change of control (as defined in the agreements) or October 31, 2013.

For information regarding the Company's grants of share purchase options to key service providers and employees under the Company's Stock Option Plan, see the "Share Capital: Stock Option Plan" discussion below.

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 $57,000 (CAD$60,000) through April 2011. During November 2010, the Company entered into a three-year lease agreement for office space in Vancouver, British Columbia. Annual lease payments due beginning in May 2011 are approximately $57,600 (CAD$58,800).

During October 2010, the Company entered into a month-to-month lease agreement for office space in Albuquerque, New Mexico. Annual lease payments due 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 $125,000.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company entered into certain transactions with related parties, which primarily related to the payment of salaries and consulting fees. The terms and conditions of the transactions with key management personnel, directors and other related parties, were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related parties on an arm's length basis. The following table sets out information about the related party transactions that the Company was party to during the year ended December 31, 2011:

Name	Relationship to the Company	Business Purpose of Transaction	Amount(1)
Richard F. Clement	President, CEO and Director	Salary(2)	$240,000
		Benefits	$45,970
		Deferred compensation(2)	$7,500
Wallace Mays	Director	Consulting Fees(3)	$80,000
		Benefits	$11,928
Thomas A. Doyle	Chief Financial Officer, VP – Finance and Director	Consulting Fees(3)	$182,070
		Deferred compensation(2)	$5,515
Greg C. Burnett	Secretary, VP – Administration and Director	Consulting Fees(3)	$145,656
		Deferred compensation(2)	$4,412
John Mays	VP - Engineering	Salary(2)	$150,000
		Benefits	$19,387
Jim Bonner	VP – Exploration	Salary(2)	$150,000
		Benefits	$33,851
		Deferred compensation(2)	$3,750
Richard Blubagh	VP – Health, Safety and Environmental Resources	Salary(2)	$150,000
		Benefits	$34,989
		Deferred compensation(2)	$3,750

(1) Does not include share-based payments.
(2) See "Management Services Contracts and Employment Contracts". Deferred compensation is salary earned but not paid per the respective deferred compensation agreements.
(3) Consulting fees were paid to a holding company, the shares of which the related party exercises control and direction over.

The Synatom transactions discussed under the heading "Financing, Liquidity and Capital Resources" are also considered related party transactions due to the fact that Synatom exercises control and direction over 10% of the issued and outstanding securities of the Company. For a greater description of these transactions, see "Financing, Liquidity and Capital Resources".

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise noted.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of amounts receivable and prepayments which are included in the consolidated statement of financial position.
- The estimated useful lives of building and equipment which are included in the consolidated statement of financial position and the related depreciation included in the statement of comprehensive loss.
- The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.
- Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.
- The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility, forfeiture rate and dividend yield and making assumptions about them..
- The inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.
- Financial instruments (assets and liabilities) and most derivative instruments (financial and non-financial) are recorded on the balance sheet, at fair value. Those recorded at fair value must be re-measured at each reporting date and changes in the fair value will be recorded in either net loss or other comprehensive loss. Uncertainties, estimates and use of judgment inherent in applying the standards include: assessment of contracts as derivative instruments and for embedded derivatives, valuation of financial instruments and derivatives at fair value.

In determining whether a contract represents a derivative or contains an embedded derivative, the most significant area where judgment has been applied pertains to the determination as to whether the contract can be settled net, one of the criteria in determining whether a contract for a non-financial asset is considered a derivative and accounted for as such. Judgment is also applied in determining whether an embedded derivative is closely related to the host contract, in which case bifurcation and separate accounting are not necessary.

We have classified our debt instruments with conversion features as compound instruments and bifurcated the components between at the host debt and embedded derivative liabilities. All of these are therefore recorded on the balance sheet at fair value. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Estimated fair values are designed to approximate amounts at which the financial instruments could be exchanged in a current transaction between willing parties. Multiple methods exist by which fair value can be determined, which can cause values (or a range of reasonable values) to differ. There is no universal model that can be broadly applied to all items being valued. Further, assumptions underlying the valuations may require estimation of share price volatility, discount rates, interest free rates, defaults and other relevant variables.

Fair value of our host debt is based on the comparable market debt without the conversion feature. The fair value of derivative liability which is not traded in an active market is determined by using valuation techniques, which requires estimation.

Standards require the use of a three-level hierarchy for disclosing fair values for instruments measured at fair value on a recurring basis. Judgment and estimation are required to determine in which category of the hierarchy items should be included. When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on our assessment of the lowest level input that is the most significant to the fair value measurement. The Company utilized levels 2 and 3 with regards to the fair value inputs.

Without hedge accounting, the company can face volatility in earnings, as derivative instruments are marked-to-market each period through net loss. The company does not employ hedge accounting.

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 and guaranteed investment certificates. These investments are easily convertible to known amounts of cash, are subject to insignificant risk of change in value, and have maturities of three months or less when purchased.

Restricted Cash

Restricted cash consists of deposits held for collateral pursuant to bonds provided to State authorities in connection with mineral property activities as well as restricted funds that is used to secure corporate credit card.

Rehabiliation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances which are caused by exploration and evaluation activities. The Company records the present value for the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The Company has determined that there are no rehabilitation provisions at December 31, 2011 and 2010, and January 1, 2010 as the Company has secured such estimated costs with the State agencies in which its activities are located.

Building and Equipment

On initial recognition, building and equipment ("B&E") are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability, as anticipated, is recognized within provisions.

B&E is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of B&E have different useful lives, they are accounted for as separate items (major components) of B&E.

The cost of replacing part of an item of B&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of B&E are recognized in profit and loss as incurred.

Depreciation 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. Depreciation is recorded using the straight-line method over a 40 year useful life for buildings. Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted as appropriate.

Mineral Properties

Pre-exploration costs are expensed in the period in which they occur.

Exploration and evaluation expenditures are capitalized in the period in which they occur once the legal right to explore a property has been acquired. This includes any acquisition costs associated with such property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, contractor payments, land payments, claims maintenance and certain employee costs. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may, at its discretion, enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transfee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Any such impairment charges will be written off to the statement of comprehensive loss.

Once the technical feasibility and commercial viability of extracting the resource has been determined, the property will be considered a mine under development and will be classified as "mines under construction." Exploration and evaluation assets will also be tested for impairment at this point prior to transferring the assets to development properties.

Mineral exploration and evaluation expenditures are classified as intangible assets.

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. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company considers each project and/or prospect to be a cash-generating unit separate from the other projects and/or prospects.

Impairment charges are recorded in statement of comprehensive loss in the period in which the evaluation was completed. See Notes 6 and 17 for further discussion.

During transition to IFRS, the Company performed an initial impairment assessment on its long-lived assets as of the transition date of January 1, 2010 and reviewed its impairment charges for the year ended December 31, 2010. This assessment/review concluded that there was no further impairment as of the transition date and no changes to impairment charges taken during the year ended December 31, 2010.

Income Taxes

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for certain temporary differences. Recognition of deferred tax assets for unused tax losses, tax credits and deductable temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Annually, the Company reasseses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Company evaluated its tax position at the transition date of January 1, 2010 and December 31, 2010 for any changes from pre-changeover GAAP to IFRS. No material differences were noted during this evaluation.

Share-based payments

When equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in net income (loss) and financial position over the vesting period, described as the period during which all vesting conditions are to be satisfied. The compensation charge directly attributable to the development and progression of the mineral properties are capitalized.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in statement of comprehensive loss, unless they are related to the issuance of common shares.

Amounts related to the issuance of common shares are recorded as a reduction of share capital. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted based on management's best estimate, for the effects of transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where the grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the

amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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 9 for discussion of the Company's stock option plan.

Basic and Diluted Income (Loss) Per Common Share

Basic income (loss) per common share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share reflect the potential dilution that could occur if potentially dilutive securities, such as convertible debt obligations, warrants, and stock options outstanding, were exercised or converted to common stock, only to the extent that they are not antidilutive.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or financial liability. The Company's common shares, preferred shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction from the proceeds.

Foreign Currency Translation

The Company's functional currency is US dollars. At the transaction date, each asset, liability, revenue and expense dominated in a foreign currency is translated to US dollars by the use of the exchange rate in effect at that date. Non-monetary assets and liabilities that are measured at historical cost are translated into US dollars by using the exchange rate in effect at the date of initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into US dollars by using the exchange rate at the date the value is determined and the related translation difference s are recognized in statement of comprehensive loss.

Financial Instruments

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

Financial assets and liabilities at fair value through profit and loss are measured at fair value with changes in those fair values recognized in statement of comprehensive loss. 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 loss. 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. The Company does not currently have any available-for-sale financial assets or investments in equity instruments.

Derivative instruments, including embedded derivatives, are measured at fair value with any changes in the fair values of derivative instruments being recognized in profit and loss 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 Notes 8 and 16.

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Receivables, deposits and restricted cash are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, current portion of long-term debt, agreements payable and convertible debt payable are classified as other financial liabilities and are measured at amortized cost. The convertible promissory note payable is measured at fair value using the fair value option for financial instruments. Embedded derivatives and instruments measured at fair value are classified as fair value through profit or loss and measured at fair value.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Derivative Financial Instruments

The Company may issue compound financial instruments with embedded derivatives. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive loss.

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. Subsequent to initial recognition, the host contact liability is measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or accretion expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability on initial recognition.

The embedded derivative is fair valued each reporting period using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods. None of these pronouncements are expected to have a significant effect on the consolidated financial statements, other than what is stated below.

- The Company has early adopted amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition i.e. January 1, 2010.

- IFRS 9 "Financial Instruments": IFRS 9 is part of the IASB's wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on its financial position.
- IFRS 10 Consolidated Financial Statements: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.
- IFRS 11 Joint Arrangements: IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.
- IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.
- IFRS 13 Fair Value Measurement: IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

INTERNATIONAL FINANCIAL REPORTING STANDARDS FIRST-TIME ADOPTION

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the Accounting Standards Board ("IASB"). This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover "GAAP").

Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 4. This note includes reconciliations of equity and profit or loss for comparative periods reported under pre-changeover GAAP to those reported for those periods under IFRS.

These consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2012.

First-time Adoption

The Company's consolidated financial statements for the year ended December 31, 2011 are the first annual financial statements prepared in accordance with IFRS. IFRS 1 "First-time Adoption of International Financial Reporting Standards", requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 ('the transition date"). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. Therefore, the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and the opening IFRS statement of financial position at January 1, 2010

are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS 1 also provides for certain optional exemptions and certain mandatory exemptions for first time IFRS adopters. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover GAAP.

The Company applied the following optional and mandatory exemptions:

Business combinations: The Company elected not to retrospectively apply IFRS 3: Business Combinations to any business combinations that may have occurred prior to its transition date and such business combinations have not been restated.

Share-based payment transactions: The Company has elected not to retrospectively apply IFRS 2: Share-based payment to equity instruments that were granted and had vested prior to the transition date. As a result of applying this exemption, the Company applied the provisions of IFRS 2 only to all outstanding equity instruments that were unvested as of the transition date.

Leases: The Company elects to determine whether an arrangement existing as the transition date contains a lease on the basis of facts and circumstances at that date.

Cumulative translation adjustments: The Company elected to reset all cumulative translation differences to zero as of the transition date. This election was applied to all foreign operations as of the transition date.

Compound financial instruments: The Company elected not to retrospectively separate the liability and equity components of compound financial instruments for which the liability component is no longer outstanding as of the transition date.

Borrowing costs: The Company elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the transition date.

Estimates: The estimates previously made by the Company under pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

Derecognition of Financial Assets and Liabilities: The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

SHARE CAPITAL

Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value that are issuable in a series.

Common Shares Issued:

	Number	Amount	Contributed Surplus[b]
Balance, January 1, 2010	55,429,022	$ 50,831,518	$ 6,817,117
Stock-based compensation	–	–	38,840
Balance, December 31, 2010	55,429,022	$ 50,831,518	$ 6,855,957
Share issuance [a]	47,872,340	23,105,250	–
Share issue costs	–	(1,626,094)	–
Agent's warrants	–	(360,619)	360,619
Stock-based compensation	–	–	8,100
Balance, December 31, 2011 and March 5, 2012	103,301,362	$ 71,950,055	$ 7,224,676

[a] On March 15, 2011, the Company completed a public offering of 47,872,340 units (the "Units") at a price of $0.48 (CAD$0.47) per Unit to raise gross proceeds of $23,105,250 (CAD$22,500,000) pursuant to a short form prospectus dated March 2, 2011 (the "Offering"). Each unit comprised of one common share and one-half share purchase warrant. On the same day, the Company closed its refinancing transaction (the "Refinancing Transaction") with Synatom, which was approved by Powertech's shareholders at a special meeting held on March 14, 2011. The closings of each of the Offering and the Refinancing Transaction were mutually conditional on the closing of the other. See Financing, Liquidity and Capital Resources, above and Note 9 of the Company's December 31, 2011 financial statements as filed on SEDAR as of the date of this MD&A for a complete discussion of these transactions.

b) Contributed surplus is comprised of the fair value of stock-based compensation and the fair value of agent's warrants.

Share Purchase Warrants:

At December 31, 2011 and March 5, 2012, there were 27,047,872 share purchase warrants outstanding. For a discussion of the issuance of the warrants, see Closing of Offering section above.

Changes in share purchase warrants for the year ended December 31, 2011 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2010	Issued during the period	Expired during the period	Outstanding at December 31, 2011
March 15, 2013	$0.60	–	23,936,170	–	23,936,170
March 15, 2013	$0.47	–	3,111,702	–	3,111,702
Totals		–	27,047,872	–	27,047,872

Convertible Debt Obligations:

The convertible debt obligations are discussed in Financing, Liquidity and Capital Resources, above and Note 8 of the Company's December 31, 2011 financial statements as filed on SEDAR as of the date of this MD&A.

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

acquire an aggregate fixed number of 9,885,804 common shares which was equal to 20% of the issued and outstanding common shares of the Company at the date of the adoption of the Plan. 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 such options are granted. Options granted under the Plan have a maximum life of five years. The Company's 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 the respective grant date.

During May 2011, the Company's shareholders approved a 2011 Stock Option Plan (the "2011 Plan"), effective April 2011, under which it is authorized to grant share purchase options to directors, employees, contractors or consultants of the Company. The Company is permitted to grant options under the Plan equal to 10% of the issued and outstanding common shares of the Company until the 10th anniversary of the effective date of the 2011 Plan. 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 such options are granted. The Company's Board of Directors specifies a vesting period and expiry on a grant-by-grant basis.

At December 31, 2011 and March 5, 2012, there are 3,725,000 and 3,275,000, respectively, options outstanding entitling the holders thereof to purchase one common share for each option held. Share options as of December 31, 2011 are as follows:

Grant Date	Expiration Date	Exercise (CAD)	Outstanding at January 1, 2010	Expired/ Forfeited during period	Outstanding at December 31, 2011	Vested and exercisable
May 11, 2006	May 11, 2011	$1.00	3,025,000	(3,025,000)	–	–
July 19, 2006	July 19, 2011	$1.30	200,000	(200,000)	–	–
August 1, 2006	August 1, 2011	$1.30	100,000	(100,000)	–	–
February 15, 2007	February 15, 2012	$3.00	400,000	–	400,000	400,000
May 14, 2007	May 14, 2012	$3.20	125,000	–	125,000	125,000
August 30, 2007	August 30, 2012	$1.50	900,000	–	900,000	900,000
September 4, 2007	September 4, 2012	$1.60	150,000	(50,000)	100,000	100,000
October 31, 2007	October 31, 2012	$2.15	75,000	(75,000)	–	–
January 14, 2008	January 14, 2013	$1.50	400,000	(200,000)	200,000	200,000
February 7, 2008	February 7, 2013	$1.00	400,000	–	400,000	400,000
June 18, 2008	June 18, 2013	$1.50	1,600,000	–	1,600,000	1,600,000
August 11, 2008	August 11, 2013	$1.50	125,000	(125,000)	–	–
	Totals		7,500,000	(3,775,000)	3,725,000	3,725,000
Weighted average exercise price (CAD)			$1.29	$1.18	$1.72	$1.72
Weighted average life remaining (years)			1.38		1.00	1.00

As of March 5, 2012, the weighted average life of the stock options outstanding was 0.93 years with a weighted average exercise price of the stock options outstanding of CAD$1.58.

FINANCIAL INSTRUMENTS

The carrying values of cash, and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. The current bank accounts and accounts payable are non-interest bearing. The majority of cash is held in short-term investments bearing interest of less than 2%. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company to date has not used any formal currency hedging contracts to manage currency risk.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with generally accepted accounting principles ("GAAP") in Canada. The Company's financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Disclosure Controls And Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in provincial securities legislation. The Company evaluated its disclosure controls and procedures as defined under National Instrument 52-109 as of December 31, 2010. This evaluation was performed by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") with the assistance of other employees to the extent necessary and appropriate. Based on this evaluation, the CEO and CFO concluded that the design and operation of the Company's disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

The Company maintains internal control over financial reporting which has been designed to provide reasonable assurance of the reliability of external financial reporting in accordance with Canadian GAAP as required by National Instrument 52-109. The Company evaluated its internal control over financial reporting as of December 31, 2011. The evaluation was performed by the CEO and the CFO with the assistance of other employees to the extent necessary and appropriate. Based on this evaluation, the CEO and the CFO, concluded the Company's internal control over financial reporting was effective.

There were no changes in the Company's internal control over financial reporting that occurred subsequent to the Company's year ended December 31, 2011 to the date of this document that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The Company's operations and financial performance are subject to the normal risks of mining and are subject to various factors which are beyond the control of the Company. Certain of these risk factors are described below. The risks described below are not the only ones facing the Company. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company's business, operations, financial results or prospects, should any such other events occur.

Events In Japan May Affect Public Acceptance of Nuclear Energy and the Company's Permitting Timelines

Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. In recent years, the nuclear industry had seen increased capacity at existing nuclear plants, extensions of plant licenses and new plant planning and construction. Public opinion in many countries had moved in favor of nuclear power, and recent increases in oil prices had made nuclear energy the lowest cost energy option in some countries. The recent natural disasters in Japan, with the resultant effect of same on certain of the country's nuclear reactors, has caused concern internationally as to the safety of nuclear energy as a viable source of power.

Further, a number of heads of government and their legislative bodies have announced reviews and/or delays of plans to develop new nuclear power facilities. In the United States, the Chairman of the Nuclear Regulatory Commission has publicly stated that a more stringent review of design risks will be undertaken for both existing facilities and future applications for new nuclear power facilities. The additional scrutiny by the NRC could affect all parts of the organization including the licensing of new uranium production facilities. Other relevant regulatory bodies could also react to these

recent events, resulting in additional delays or barriers in permitting and licensing new uranium production operations. It is too soon for the Company to determine the long-term impact such events will have on the Company's financial condition, results of operations and permitting plans, particularly as pertains to the Company's Dewey-Burdock Project, which is at an advanced stage in the permitting process.

The Company's Financial Condition and Results of Operations May Be Adversely Affected by Changes in the Market Price of Uranium

The majority of the Company's potential revenues are anticipated to be derived from the sale of uranium products. The Company's financial condition, results of operations, earnings and operating cash flow will be closely related and sensitive to fluctuations in the long- and short-term market price of uranium. Historically, these prices have fluctuated widely. Between 1970 and 2011, the spot price of uranium has fluctuated between approximately $7 per pound and approximately $138 per pound. The current spot price of uranium is approximately $52 per pound and the most recently reported long-term contract price is approximately $61 per pound. The price of uranium has been and will continue to be affected by numerous factors beyond the Company's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and costs of production. Recent events in Japan have resulted in downward pressure on the spot price of uranium and many uranium exploration and development companies have experienced a corresponding reduction in the trading value of their shares. It is too early to evaluate the long term effects of the events in Japan on the Company and the uranium industry generally.

If, after the commencement of uranium production, the price of uranium falls below the cost of production at the Company's planned mines, it may not be economically feasible to continue production at such sites. This would materially and adversely affect production, profitability and the Company's financial position. A continued decline in the market price of uranium may also require a write-down of the Company's mineral reserves and resources which would have a material and adverse affect on its financial condition, results of operations and profitability. Should any significant write-down in reserves and resources be required, material write-downs of the Company's investment in the affected mining properties and increased amortization, reclamation and closure charges may be required.

Nuclear Energy Competes With Other Viable Energy Sources

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrates and uranium conversion services, which in turn may result in lower market prices for uranium, which would materially and adversely affect the Company's business, financial condition and results of operations.

The Company Will Require Significant Amounts of Additional Capital in the Future

The Company has limited financial resources. The Company will continue to make substantial capital expenditures related to exploration, development and production. In particular the Company will have further capital requirements as it expands its present exploration activities at its uranium projects or if it takes advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

Volatile demand for uranium and the volatile price of uranium or the incurrence of unanticipated major liabilities or expenses may make it difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its uranium projects with the possible loss of the rights to such properties. If the exploration or development of any mine is delayed, such delay would have a material and adverse effect on the Company's business, financial condition and results of operation.

The Company Faces Competition from Other Mining Companies for the Acquisition of New Properties

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where the Company is currently active. Many participants are engaged in the mining business, including large, established mining companies with substantial technical and financial capabilities and long earnings records and which have access to more capital, in some cases have state support, have access to more efficient technology, and have access to reserves of uranium that are cheaper to extract and process. The Company may be at a competitive disadvantage in acquiring mining properties as many of its competitors have greater financial resources and larger technical staffs. Accordingly, there can be no assurance that the Company will be able to compete successfully with its industry competitors.

Sale of Uranium is Restricted by International Trade Regulations

The supply of uranium is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Company and may affect the supply of uranium available in the United States and Europe, which are the largest markets for uranium in the world. If the Company is unable to supply uranium to important markets in the United States or Europe, its business, financial condition and results of operations may be materially and adversely affected.

Deregulation of the Electrical Utility Industry May Affect the Demand for Uranium

The Company's future prospects are tied directly to the electrical utility industry worldwide. Deregulation of the utility industry, particularly in the United States and Europe, is expected to impact the market for nuclear and other fuels for years to come, and may result in the premature shutdown of some nuclear reactors. Experience to date with deregulation indicates that utilities are improving the performance of their reactors, achieving record capacity factors. There can be no assurance that this trend will continue.

Possible Loss of Interests in Exploration Properties

If the Company fails to make any property payments or expenditures required to maintain its properties in good standing in a timely fashion, the Company may lose some or all of its interest in those properties. This is particularly significant with respect to its two key projects, Dewey-Burdock and Centennial. A loss of an interest in either of these properties could have a material adverse effect on the Company's reported indicated and inferred resources.

The Company's Operations are Subject to Operational Risks and Hazards Inherent in the Mining Industry

The Company's business is subject to a number of inherent risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents, which may involve radioactive or hazardous materials; labor disputes; power disruptions, catastrophic accidents; failure of plant and equipment to function correctly, the inability to obtain suitable or adequate equipment, fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technical failure of mining methods. The Company may also contract for the transport of its uranium and uranium products to refining, conversion and enrichment facilities in North America, which will expose the Company to risks inherent in transportation including loss or damage of transportation equipment and spills of cargo.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's uranium properties, personal injury or death, environmental damage, delays in the Company's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Mineral Resource Estimates are Only Estimates and May Not Reflect the Actual Deposits or the Economic Viability of Uranium Extraction

Resource figures included for uranium are estimates only and no assurances can be given that the estimated levels of uranium will actually be produced or that the Company will receive the uranium price assumed in determining its resources. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the Company believes that the resource estimates included herein and in its technical reports are well established and reflect management's best estimates, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in uranium, as well as increased capital or production costs or reduced recovery rates, may render ore resources containing lower grades of mineralization uneconomic and may ultimately result in a restatement of resources. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of resources is always influenced by economic and technological factors, which may change over time.

Exploration, Development and Operating Risk

The exploration for and development of uranium 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 processes 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; metal prices which are highly cyclical, drilling and other related costs which appear to be rising; 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 Company not receiving an adequate return on invested capital.

Currency

Exchange rate fluctuations may affect the costs that the Company incurs in its exploration activities. Uranium is generally sold in United States dollars. Since the Company principally raises funds in Canadian dollars, but the Company's costs are primarily incurred in United States dollars, the appreciation/depreciation of the United States dollar against the Canadian dollar can impact the Company's operating costs and debt obligations.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general handling, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, 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 is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties which are unknown to the Company at present and which have been caused by previous or existing owners or

operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

The Company's Activities are Subject to Extensive Legislation in respect of Environment, Health and Safety

The Company's activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. In addition, the uranium industry is subject not only to the worker health and safety and environmental risks associated with all mining businesses, but also to additional risks uniquely associated with uranium mining and milling. The Company is required to obtain governmental permits and provide associated financial assurance to carry on certain activities. The Company is also subject to various reclamation and other bonding requirements under federal, provincial, state or local air, water quality and mine reclamation rules and permits. Although the Company makes provision for reclamation costs, where appropriate, there is no assurance that these provisions will be adequate to discharge its obligations for these costs. Environmental and employee health and safety laws and regulations have tended to become more stringent over time. Any changes in such laws or in the environmental conditions at the Company's properties could have a material adverse effect on the Company's financial condition, cash flow or results of operations.

Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of licenses or permits and the imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not adversely affect the Company's business, results of operations, financial condition or prospects.

Government Regulation

The Company's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are subject to various federal, state and local statutory requirements. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions hereunder, 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 or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

Specific to the Company's Centennial Project, originating from opposition to the Project by numerous interested parties in Colorado, a new bill was signed (House Bill 1161) creating a specialized regulatory regime for in-situ uranium recovery in

the State of Colorado. This new law could, upon implementation, establish standards for in-situ recovery mining and restoration that may ultimately affect the profitability of the Centennial Project.

Public Involvement in the Permitting Process

The process of obtaining radioactive materials licenses ("RML") from the US Nuclear Regulatory Commission and those required in the states that the Company is operating in allow for public participation. If a third party chooses to object to the issuance of any RML or permit required by the Company, significant delays may occur before the Company is able to secure an RML or permit. Generally, the public objections can be overcome with the passage of time and through the procedures set forth in the applicable permitting legislation. However, the regulatory agencies must also allow and fully consider public comment according to such procedures and there can be no assurance that the Company will be successful in obtaining any RML or permit.

Native American Involvement in the Permitting Process

None of the Company's properties are located within the boundaries of "Indian Country." This term means several types of property interests that are controlled or owned by Native Americans under the jurisdiction of the U.S. Federal Government. However, under Federal legislation, "historic cultural properties of religious significance that can be identified are to be avoided or activities are to be mitigated such that the essential nature of the properties is not lost to a culture. Throughout the western United States, Indian tribes have had historical relationship with properties that are now owned by private parties, the Federal Government or State Government. In any Federal permitting action on these properties, the agency involved is required to make an effort to communicate with Native American Tribes to determine any areas of "Traditional Cultural Significance." Because this process involves "Government to Government" discussions with potentially affected tribes, some delays in review of these issues can occur and in the event that "Traditional Cultural Properties" are determined to exist within a project area, the company and agency must determine the best manner of development with minimum disturbance or determine how to mitigate that disturbance. This process could affect the timing for final licensing of the Company's Dewey-Burdock Project.

Political Risk

The Company's future prospects may be affected by political decisions about the uranium market. There can be no assurance that the United States or other government or quasi-governmental authority will not enact legislation or other rules restricting uranium extraction and processing activities, or restricting to whom the Company can sell uranium. In addition the price of uranium may be affected by decisions of national governments to decommission nuclear weapons, thereby increasing the supply of uranium.

The Company has no History of Mineral Production or Mining Operations

The Company has never had uranium producing properties. There is no assurance that commercial quantities of uranium will be discovered at its properties or other future properties nor is there any assurance that the Company's exploration program thereon will yield positive results. Even if commercial quantities of uranium are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where uranium resources can profitably be produced therefrom. Factors which may limit the ability of the Company to produce uranium resources from its properties include, but are not limited to, the spot price of uranium, availability of additional capital and financing and the nature of any mineral deposits.

The Company does not have a history of mining operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of the Company's common shares in the public markets, or the potential for such sales, could decrease the trading price of the Company's common shares and could impair the Company's ability to raise capital

through future sales of the Company's common shares. Substantially all of the Company's common shares can be resold without material restriction in Canada.

No Assurance of Titles or Borders

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company will be able to acquire title to surface and mineral rights in the future. Titles to the Company's current and/or future surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Availability of Qualified Personnel

The mining industry generally is experiencing a significant shortage of qualified personnel particularly in the availability of professionals such as mining engineers, metallurgists and geologists. There is also a shortage of staff and skilled workers and, as a result, training to fill the positions may be necessary in order to achieve the Company's planned production activities. The uranium industry is further impacted based on the need for professionals and skilled workers because the downturn of the uranium market in the 1980's resulted in a loss of skills and considerably fewer people entering the market in this area of mineral industry. The current demand for people has also resulted in a significant escalation of salaries and wages.

Need for Additional Mineral Reserves and Delineation of Mineral Reserves

Because mines have limited lives based on proven and probable mineral reserves, the Company will be required to continually replace and expand its mineral reserves if, and when its mines produce uranium. The Company's ability to maintain or increase its annual production of uranium in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral reserves at existing mines.

The Company may be unable to acquire rights to explore additional attractive mining properties on acceptable terms due to competition for mineral acquisition opportunities with larger, better established mining companies with greater financial and technical resources. There can be no assurance that the Company will be able to bring any of its properties into production or achieve mineral reserves on its properties.

The Company's Insurance Coverage Does Not Cover All of its Potential Losses, Liabilities and Damage Related to its Business, and Certain Risks are Uninsured or Uninsurable

While the Company may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and potentially its financial condition and results of operations.

No assurance can be given that the Company's insurance will be available at economically feasible premiums or at all, or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Proposed Amendments to the United States General Mining Law of 1872 May Have an Adverse Effect on the Company's Business

Some of the Company's mineral properties comprise unpatented mining claims in the United States. There is a risk that a portion of the Company's unpatented mining claims could be determined to be invalid, in which case the Company could

lose the right to mine mineral reserves contained within those mining claims. Unpatented mining claims are created and maintained in accordance with the General Mining Law of 1872. Unpatented mining claims are unique to United States property interests, and are generally considered to be subject to greater title risk than other real property interests due to the validity of unpatented mining claims often being uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the General Mining Law of 1872. Unpatented mining claims are always subject to possible challenges of third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law.

In recent years, the United States Congress has considered a number of proposed amendments to the General Mining Law of 1872. If adopted, such legislation, among other things, could impose royalties on mineral production from unpatented mining claims located on United States federal lands, result in the denial of permits to mine after the expenditure of significant funds for exploration and development, reduce estimates of mineral reserves and reduce the amount of future exploration and development activity on United States federal lands, all of which could have a material and adverse affect on the Company's cash flow, results of operations and financial condition.

Shareholders' Interest in the Company May Be Diluted in the Future

The Company may require additional funds to fund the Company's exploration and development Programs and potential acquisitions. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders.

The Company May Issue Additional Common Shares in the Future to Raise Capital or on the Exercise of Outstanding Stock Options and Warrants

Sales of substantial amounts of common shares of the Company, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Company's common shares. A decline in the market prices of the Company's common shares could impair its ability to raise additional capital through the sale of new common shares should the Company desire to do so.

The Market Price for Common Shares Cannot be Assured

Securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

The Company has Never Paid Dividends and May Not do so in the Foreseeable Future

The Company has never paid cash dividends on its common shares. Currently, the Company intends to retain its future earnings, if any, to fund the development and growth of its business, and does not anticipate paying any cash dividends on its common shares in the near future. As a result, shareholders of the Company will have to rely on capital appreciation, if any, to earn a return on their investment in common shares of the Company for the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board.

OTHER INFORMATION

This MD&A of the financial position and results of operations of the Company for the year ended December 31, 2011, and as of March 5, 2012, should be read in conjunction with the audited consolidated financial statements of the Company for

the year ended December 31, 2011. Additional information relating to the Company, including the Company's Annual Information Form, can be accessed at the Company's website at www.powertechuranium.com or through the Company's public filings on SEDAR at www.sedar.com.

This MD&A has been reviewed and approved by Mr. Richard F. Clement, Jr., President and CEO of Powertech, under whose direction the Company's operations are being carried out. Mr. Clement, P.G., MSc. is a Qualified Person as defined by NI 43-101.