
Consolidated Financial Statements

Macusani Yellowcake Inc.

For the Years Ended September 30, 2010 and 2009

AMENDED

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements were prepared by the management of Macusani Yellowcake Inc., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the consolidated financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with Canadian generally accepted accounting principles. Management has included amounts in the Company's consolidated financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

Signed "Peter Hooper"
President and CEO

Signed "Philip Gibbs"
CFO

Toronto, Ontario
December , 2010

AUDITOR'S REPORT


To the shareholders of Macusani Yellowcake Inc.

We have audited the consolidated balance sheets of Macusani Yellowcake Inc. as at September 30, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
December 14, 2010



Sievert & Sawrantschuk LLP

Chartered Accountants, Licensed Public Accountants

Macusani Yellowcake Inc.

Consolidated Balance Sheets

As at September 30

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 114,794	\$ 741,912
Other receivables	183,334	129,154
Prepaid expenses	32,113	46,212
	<u>330,241</u>	<u>917,278</u>
Sales Taxes Recoverable (note 3)	434,277	264,477
Property, Plant and Equipment (note 4)	8,048	9,267
Mineral Properties and Deferred Exploration Costs (note 5)		
	<u>9,905,430</u>	<u>7,199,042</u>
	<u>\$ 10,677,996</u>	<u>\$ 8,390,064</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 572,542	\$ 180,898
Accrued Preliminary Economic Assessment costs (note 6)	162,486	643,884
Due to related parties (note 7)	90,587	-
	<u>825,615</u>	<u>824,782</u>
Commitments - note 15		
Shareholders' Equity		
Share Capital (note 8)	13,729,812	10,175,812
Warrants (note 9)	1,286,154	1,010,154
Stock Options (note 10)	1,936,132	1,159,174
Contributed Surplus (note 11)	1,095,430	1,095,430
Deficit	<u>(8,195,147)</u>	<u>(5,875,288)</u>
	<u>9,852,381</u>	<u>7,565,282</u>
	<u>\$ 10,677,996</u>	<u>\$ 8,390,064</u>

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

Approved on behalf of the Board

Signed "Alan Ferry", Director

Signed "Peter Hooper", Director

Macusani Yellowcake Inc.

Consolidated Statements of Operations and Comprehensive Loss and Deficit
For the Years Ended September 30

	2010	2009
Expenses		
Administrative and office	\$ 21,511	\$ 21,025
Advertising and promotion	88,944	46,630
Amortization	2,231	2,310
Bank charges	3,604	2,922
Consulting fees	679,506	570,466
Write-down of mineral properties	196,980	233,002
Foreign exchange loss (gain)	19,590	(3,015)
Investor relations and marketing fees	177,001	133,048
Professional fees	208,323	339,792
Rent and utilities	71,851	69,559
Stock-based compensation (note 10)	776,958	291,438
Transfer and filing fees	54,072	50,412
Travel	25,012	73,344
Less:		
Interest income	<u>(5,724)</u>	<u>(5,559)</u>
Net Loss and Comprehensive Loss for the Year	(2,319,859)	(1,825,374)
Deficit - Beginning of Year	<u>(5,875,288)</u>	<u>(4,049,914)</u>
Deficit - End of Year	<u>\$ (8,195,147)</u>	<u>\$ (5,875,288)</u>
Loss per Share - basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>
Weighted Average Number of Common Shares Outstanding - basic and diluted	<u>56,586,626</u>	<u>35,161,944</u>

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

Macusani Yellowcake Inc.

Consolidated Cash Flow Statements

For the Years Ended September 30

	2010	2009
Cash Flows from Operating Activities		
Net loss and comprehensive loss	\$ (2,319,859)	\$ (1,825,374)
Items not affecting cash:		
Amortization	2,231	2,310
Stock-based compensation	776,958	291,438
Write-down of mineral properties	196,980	233,002
Unrealized foreign exchange loss	3,799	-
	<u>(1,339,891)</u>	<u>(1,298,624)</u>
Net changes in non-cash working capital:		
Other receivables	(54,180)	19,599
Prepaid expenses	14,099	95,209
Sales taxes recoverable	(169,800)	(108,776)
Accounts payable and accrued liabilities	144,041	(180,196)
	<u>(1,405,731)</u>	<u>(1,472,788)</u>
Cash Flows from Financing Activities		
Issuance of share capital	3,554,000	3,379,013
Issuance of warrants	276,000	1,010,154
Private placement commissions	-	(46,800)
Due to related party	90,587	-
	<u>3,920,587</u>	<u>4,342,367</u>
Cash Flows from Investing Activities		
Mineral properties and deferred exploration costs	(3,140,962)	(2,358,088)
Capital assets	(1,012)	-
	<u>(3,141,974)</u>	<u>(2,358,088)</u>
Change in Cash and Cash Equivalents	(627,118)	511,491
Cash and Cash Equivalents - Beginning of Year	<u>741,912</u>	<u>230,421</u>
Cash and Cash Equivalents - End of Year	<u>\$ 114,794</u>	<u>\$ 741,912</u>

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

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

1. Nature of Operations

Macusani Yellowcake Inc. (the “Company”) is an Ontario corporation formed by amalgamation on October 31, 2007. A predecessor corporation, Macusani Yellowcake Inc. (“Old Macusani”), commenced operations in November 2006. The other predecessor corporation, Silver Net Equities Corp. (“Silver Net”), was classified as a Capital Pool Company as defined by the TSX Venture Exchange.

The Company owns numerous mineral property claims in Peru. The Company is in the process of exploring its mineral properties and has not yet determined the quantum of mineral reserves. Consequently, the Company considers itself to be an exploration stage company.

2. Significant Accounting Policies

a) Basis of Presentation - Going Concern

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative operating cash flows. The application of the going concern concept is dependent on the Company’s ability to generate capital through a combination of future profitable operations and external financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become payable.

Subsequent to the year ended September 30, 2010, the Company raised gross proceeds of \$4,502,500 pursuant to private placements (see also note 16). The Company anticipates raising additional capital during fiscal 2011.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used.

b) Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the recoverability of mineral properties, the valuation of stock options and warrants using the Black-Scholes valuation model, and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

2. Significant Accounting Policies (continued)

c) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and short term investments. The short term investments are term deposits with a reputable Canadian chartered bank.

d) Mineral Properties and Deferred Exploration Costs

Acquisition costs of mineral properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time. When deferred expenditures on individual producing properties exceed the estimated net realizable value of undiscounted proven reserves, the properties are written down to the estimated fair value.

The Company is in the process of exploring its mineral properties and has not yet determined the quantum of mineral reserves. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration costs to assess whether there has been any impairment in value.

e) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the Company's assets on the following basis and rates per annum:

Furniture and equipment	20%	Declining balance
Computer equipment	100%	Declining balance

Additions during the year are amortized at one-half of the regular rate.

f) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its 99.5% owned subsidiary, Global Gold SAC. All significant intercompany accounts and transactions have been eliminated on consolidation.

g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

2. Significant Accounting Policies (continued)

h) Stock-based Compensation

The Company has one stock option plan that is described in note 10.

The Company uses the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, which recommends the fair market value-based method of accounting for stock-based compensation. The fair value of each option is accounted for over the vesting period of the option and the related credit is included in the recorded value of stock options.

i) Asset Retirement Obligations

The Company uses CICA Handbook Section 3110, Asset Retirement Obligations, which sets standards for asset obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at September 30, 2010, the Company has not incurred any material asset retirement obligations related to its mineral properties.

j) Loss Per Share

Loss per share is computed by dividing the net loss and comprehensive loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. As the Company had losses in the years presented, basic and diluted loss per share are the same, as the exercise of all options and warrants would be anti-dilutive.

k) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

l) Financial Instruments

The Company has adopted the new recommendations of CICA Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments, and Section 3865, Hedges.

These recommendations establish standards for recognizing and measuring financial instruments, which include financial assets, financial liabilities, derivatives and embedded derivatives. Under these recommendations, all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are re-measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liabilities.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

2. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Accrued Preliminary Economic Assessment Costs	Other liabilities
Due to related parties	Other liabilities

CICA Handbook Section 3865, Hedges, replaces CICA Handbook Accounting Guideline 13, Hedging Relationships, which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income.

CICA Handbook Section 1530, Comprehensive Income, establishes new measurements of earnings in the financial statements. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as accumulated other comprehensive income.

During the years ended September 30, 2010 and September 30, 2009, the Company did not have any items that gave rise to any comprehensive income or loss. Accordingly, a statement of comprehensive income and loss has not been presented.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

2. Significant Accounting Policies (continued)

m) Accounting Changes

The Company has adopted the new recommendations of CICA Handbook Section 1506, Accounting Changes. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective.

n) Cash Flow Statements

The Company has adopted the new recommendations of CICA Handbook Section 1540, Cash Flow Statements, which has been amended to include disclosure of the extent to which cash distributions are non-discretionary. These requirements apply to all cash distributions on financial instruments classified as equity that are determined in accordance with a contractual agreement or relevant constating document.

o) Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. The Company's objective is to raise sufficient capital to execute its exploration plan. The Company defines capital to be shareholders' equity. The Company does not use any capital-based metrics. The Company does not have any externally imposed capital requirements. There have not been any changes to the overall capital risk management strategy during the year ended September 30, 2010.

p) Recent Accounting Pronouncements Not Yet Applied

Business Combinations

The CICA has published CICA Handbook Section 1582, Business Combinations to replace the existing CICA Handbook Section 1581. This new section requires the acquirer identified in a business combination transaction to recognize the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition-date fair values. In addition, the section requires the acquirer to recognize and measure goodwill or a gain from a bargain purchase, and requires the expensing of costs related to the acquisition in the period in which they are incurred. The effective date of this section is January 1, 2011, however earlier adoption is permitted. The Company expects that this new standard will only impact future acquisitions in periods subsequent to the date of adoption.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

2. Significant Accounting Policies (continued)

Consolidated Financial Statements and Non-Controlling Interests

The CICA has published CICA Handbook Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, to replace the existing CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 carries forward the guidance provided by Section 1600 with the exception of non-controlling interests which is addressed by Section 1602. Section 1602 requires the Company to present non-controlling interests on the consolidated balance sheet within equity, separately from the equity of the owners of the parent. This section also requires changes in a parent's ownership interest in a subsidiary to be accounted for as an equity transaction. The effective date of this section is January 1, 2011, however earlier adoption is permitted. The Company expects that this new standard will only impact transactions involving the Company's interest in its subsidiary which occur subsequent to the date of adoption.

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) over a period expected to end in 2011. The Company's transition date of October 1, 2010 will require restatement of the amounts reported by the Company for the year ended September 30, 2011 for comparative purposes. In conjunction with the transition to IFRS, the Company will need to prepare an opening balance sheet as at October 1, 2010 in accordance with IFRS.

The first phase of the Company's IFRS conversion plan includes an analysis of IFRS for the purpose of identifying the significant differences between IFRS and the Company's current accounting policies. The second phase of the conversion plan involves an identification and in-depth analysis of the accounting policies related to the differences identified in the first phase. This analysis will lead to the selection of the Company's ongoing IFRS policies and transitional exemptions. Furthermore, this phase will include an analysis of potential changes to the Company's internal systems and procedures that will facilitate the adoption and implementation of new IFRS policies, as well as the development of a new IFRS-compliant financial statement format. The third and final phase of the Company's IFRS conversion plan is to implement the accounting policy changes as well as any required changes to the company's internal systems and procedures.

As at September 30, 2010, the Company has completed the first phase of its IFRS conversion plan. This phase has identified the following areas which could potentially have a significant impact on the Company's financial reporting: mineral properties and deferred exploration costs, stock-based compensation, income taxes and business combinations. In addition to the potential financial impacts of the transition to IFRS, the Company expects a significant increase in the required financial statement disclosures under IFRS. The Company is reviewing these requirements to determine the necessary changes to the Company's internal systems to ensure the expected disclosure requirements are met. As of the date of these consolidated financial statements, the Company has not determined the financial impact of the transition to IFRS. However, the Company does not anticipate any significant changes to their systems of internal controls governing business processes, financial reporting, and financial disclosures as a result of the transition to IFRS. The second phase of the Company's IFRS conversion plan will commence in the first quarter of fiscal 2011.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

3. Sales Taxes Recoverable

These amounts represent recoverable sales taxes paid by the Company's subsidiary, Global Gold SAC, to the government of Peru. These amounts are recoverable when the subsidiary reaches certain spending or income levels.

4. Property, Plant and Equipment

	September 30, 2010			September 30, 2009
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 1,012	\$ 379	\$ 633	\$ -
Furniture and equipment	12,863	5,448	7,415	9,267
	<u>\$ 13,875</u>	<u>\$ 5,827</u>	<u>\$ 8,048</u>	<u>\$ 9,267</u>

5. Mineral Properties and Deferred Exploration Costs

	Year Ended September 30, 2010	Year Ended September 30, 2009
Current year acquisition costs	\$ 203,589	\$ 500,000
Current year exploration expenditures	2,699,779	2,443,011
Balance - beginning of year	7,199,042	4,489,033
Write-down of mineral properties	<u>(196,980)</u>	<u>(233,002)</u>
Balance - end of year	<u>\$ 9,905,430</u>	<u>\$ 7,199,042</u>

6. Accrued Preliminary Economic Assessment Costs

The amounts included in accrued Preliminary Economic Assessment costs represents costs associated with a preliminary study to examine the economic viability of the inferred resources of specific mineral properties owned by the Company.

7. Due to Related Parties

The amounts due to related parties represent cash advances from a company controlled by a director (see note 14(e)) and a director of the Company's subsidiary. The amounts are non-interest bearing and repayable on demand. Subsequent to September 30, 2010, the amounts were repaid in full.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

8. Share Capital

a) Authorized:

Unlimited common shares

b) Common Shares Issued and Outstanding:

	<u>Number</u>	<u>Amount</u>
Balance - September 30, 2009	41,731,284	\$ 10,175,812
Issued for cash	<u>18,150,000</u>	<u>3,554,000</u>
Balance - September 30, 2010	<u>59,881,284</u>	<u>\$ 13,729,812</u>

During the year ended September 30, 2010, the Company:

- i) Issued 14,150,000 common shares (pursuant to a private placement) for cash proceeds of \$2,830,000.
- ii) Issued 4,000,000 units (pursuant to a private placement) for cash proceeds of \$1,000,000 of which \$276,000 was allocated to common share purchase warrants (see note 9).

Each unit consists of one common share and 0.69 of one common share purchase warrant ("warrant"). Each whole warrant entitles the holder to purchase one common share at a price of \$0.30 per share at any time prior to January 8, 2012 (the "expiry date"). The estimated fair value of the warrants was estimated at approximately \$0.10 per warrant and this amount has been allocated to the warrant component of the units.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.60%
Expected life	2 years
Expected volatility	132%

Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's warrants.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

9. Warrants

- a) A summary of changes to warrants is as follows:

	<u>Number</u>	<u>Amount</u>
Balance - September 30, 2009	9,066,428	\$ 1,010,154
Issued for cash	2,760,000	276,000
Expired	-	-
Balance - September 30, 2010	<u>11,826,428</u>	<u>\$ 1,286,154</u>

- b) As at September 30, 2010, the following common share purchase warrants ("Warrants") were issued and outstanding:
- i) 4,571,428 warrants entitling the holder to purchase one common share at \$0.35 per share at any time prior to October 23, 2010 (the "expiry date").
 - ii) 4,495,000 warrants entitling the holder to purchase one common share at \$0.30 per share at any time prior to May 22, 2011 (the "expiry date").
 - iii) 2,760,000 warrants entitling the holder to purchase one common share at \$0.30 per share at any time prior to January 8, 2012 (the "expiry date").

10. Stock Options

- a) The Company has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company, and its subsidiary.

Under the Plan, the aggregate number of shares to be issued upon the exercise of outstanding options granted thereunder may not exceed 15% of the number of issued and outstanding shares.

During the year ended September 30, 2010, the Plan was amended by increasing the maximum number of shares issuable thereunder to 9,000,000 common shares.

Expiry dates and exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the market price.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

10. Stock Options (continued)

b) During the year ended September 30, 2010, the Company:

- i) Granted 1,850,000 stock options to directors, officers, employees, and consultants, all of which vested immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until December 15, 2014.

The fair value of stock options to to directors, officers, employees, and consultants was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.60%
Expected life	5.0 years
Expected volatility	144%

- ii) Granted 630,000 stock options to directors, officers, employees, and consultants, all of which vested immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until March 3, 2015.

The fair value of stock options to to directors, officers, employees, and consultants was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.70%
Expected life	5.0 years
Expected volatility	128%

- iii) Granted 500,000 stock options to a consultant which shall vest as to one-quarter on each of the three, six, nine and twelve month anniversaries of the date of grant. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until March 3, 2012.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.70%
Expected life	2.0 years
Expected volatility	128%

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

10. Stock Options (continued)

- iv) Granted 250,000 stock options to a consultant, all of which vest immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until March 15, 2012.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.78%
Expected life	2.0 years
Expected volatility	127%

- v) Granted 150,000 stock options to employees and consultants, all of which vest immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.26 per share until March 26, 2015.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.96%
Expected life	5.0 years
Expected volatility	127%

Stock option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

- c) A summary of changes to stock options is as follows:

	<u>Number</u>	<u>Amount</u>
Balance - September 30, 2009	5,010,000	\$ 1,159,174
Granted	3,380,000	601,000
Stock-based compensation expensed	-	<u>175,958</u>
Balance - September 30, 2010	<u>8,390,000</u>	<u>\$ 1,936,132</u>

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

10. Stock Options (continued)

d) Stock options were granted, exercised and expired/cancelled as follows:

	Number	Weighted Average Exercise Price
Balance - September 30, 2009	5,010,000	\$ 0.31
Granted	3,380,000	0.25
Balance - September 30, 2010	8,390,000	\$ 0.29

e) As at September 30, 2010, the following stock options were outstanding:

Option Price	Number of Options		Expiry Date
	Unvested	Vested	
\$ 0.35	-	1,200,000	January 30, 2012
\$ 0.35	-	200,000	February 07, 2012
\$ 0.35	-	1,177,000	May 29, 2012
\$ 0.35	-	250,000	October 10, 2012
\$ 0.35	-	45,000	November 20, 2012
\$ 0.35	-	100,000	December 20, 2012
\$ 0.35	-	100,000	March 01, 2011
\$ 0.35	-	25,000	June 09, 2011
\$ 0.25	-	1,913,000	February 06, 2014
\$ 0.25	-	1,850,000	December 15, 2014
\$ 0.25	-	630,000	March 03, 2015
\$ 0.25	250,000	250,000	March 03, 2012
\$ 0.25	-	250,000	March 15, 2012
\$ 0.26	-	150,000	March 26, 2015

11. Contributed Surplus

Contributed surplus consists of expired stock options and warrants. A summary of changes to contributed surplus is as follows:

Balance - September 30, 2009	\$ 1,095,430
Warrants expired	-
Options cancelled	-
Balance - September 30, 2010	\$ 1,095,430

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

12. Income Taxes

a) Future Income Tax Assets

The tax effects of temporary differences that give rise to future income tax assets at September 30, 2010 are as follows:

	Year Ended September 30, 2010	Year Ended September 30, 2009
Non-capital losses carried forward	\$ 3,107,756	\$ 2,195,852
Share issuance costs	45,534	73,842
Transaction costs	49,897	33,451
Property, plant and equipment	(166)	22
Less: valuation allowance	(3,203,021)	(2,303,167)
	<u>\$ -</u>	<u>\$ -</u>

A valuation allowance has been applied against the above future income tax asset.

b) Current Year Non-Capital Loss

The reconciliation of net loss and comprehensive loss to the non-capital loss for the year is as follows:

	Year Ended September 30, 2010	Year Ended September 30, 2009
Net Loss and Comprehensive Loss for the Year	\$ 2,319,859	\$ 1,825,374
Mineral property and exploration costs	1,077,423	982,624
Share issuance costs	117,007	117,007
Transaction costs	12,951	13,925
Stock-based compensation	(776,958)	(291,438)
Non-deductible expenses	(14,445)	(14,760)
Other	650	26
Non-Capital Loss for the Year	<u>\$ 2,736,487</u>	<u>\$ 2,632,758</u>

The non-capital loss incurred during the year ended September 30, 2010, will expire as follows:

2015	\$	1,274,403
2030	\$	1,462,084

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

12. Income Taxes (continued)

c) Cumulative Non-Capital Losses

The Company has non-capital losses carried forward of apporixmately \$10,552,129 available to reduce future years' taxable income. These losses will expire as follows:

2012	\$	720,712
2013	\$	1,553,064
2014	\$	1,215,626
2015	\$	1,274,403
2026	\$	1,509,137
2027	\$	142,142
2028	\$	1,257,829
2029	\$	1,417,132
2030	\$	1,462,084

13. Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, accrued Preliminary Economic Assessment costs, and amounts due to related parties approximate their fair values because of the short term nature of these items.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

Currency Risk

The Company's primary operations are located in Peru. The Company pays most of its Peruvian costs in United States Dollars or Nuevos Soles, and is therefore subject to foreign exchange risk on this payment stream. The Company is also exposed to currency risk on purchases from suppliers denominated in United Kingdom Pounds Sterling, South African Rand and European Euros.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet the obligations associated with its working capital. The Company has sufficient funds to settle its short-term working capital requirements as a result of capital obtained through private placements subsequent to September 30, 2010 (see note 16).

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

13. Financial Instruments (continued)

Sensitivity Analysis

As at September 30, 2010, cash and cash equivalents includes 38,518 United States Dollars and 1,415 Peruvian Nuevos Soles, and accounts payable and accrued liabilities includes 235,741 United States Dollars, 101,911 Peruvian Nuevos Soles, 100,312 United Kingdom Pounds Sterling, 504,777 South African Rand, and 9,000 European Euros.

At September 30, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss and comprehensive loss for the year would have been \$20,310 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the Peruvian Nuevos Sol with all other variables held constant, the net loss and comprehensive loss for the year would have been \$3,712 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the United Kingdom Pound Sterling with all other variables held constant, the net loss and comprehensive loss for the year would have been \$16,249 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the South African Rand with all other variables held constant, the net loss and comprehensive loss for the year would have been \$7,425 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the European Euro with all other variables held constant, the net loss and comprehensive loss for the year would have been \$1,261 higher (lower).

14. Related Party Transactions

During the year ended September 30, 2010, the Company:

- a) Incurred consulting fees of \$137,000 (2009 - \$120,000) with a company controlled by a director. The Company also incurred consulting fees of \$62,500 (2009 - \$60,000) with two individuals related to this director. As at September 30, 2010, \$12,000 (2009 - \$10,500) was included in accounts payable and accrued liabilities. The director is also an officer and a shareholder.
- b) Incurred rental expenses of \$71,851 (2009 - \$69,559), advertising and promotional charges of \$3,481 (2009 - \$Nil), and administrative and office charges of \$1,322 (2009 - \$4,073) with a company in which a director of the Company is an officer and director. As at September 30, 2010, \$6,169 (2009 - \$6,169) was included in prepaid expenses and \$6,610 (2009 - \$Nil) was included in accounts payable and accrued liabilities. The director is also an officer and a shareholder.
- c) Incurred consulting fees of \$113,000 (2009 - \$96,000) with a company controlled by a former officer. As at September 30, 2010, \$Nil (2009 - \$16,000) was included in accounts payable and accrued liabilities.
- d) Incurred fees of \$85,459 (2009 - \$121,997) with a legal firm in which a former director of the Company is a partner. As at September 30, 2010, \$25,791 (2009 - \$9,545) was included in accounts payable and accrued liabilities.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

14. Related Party Transactions (continued)

- e) Incurred management fees of \$145,978 (2009 - \$148,757), vehicle rental expenses of \$51,674 (2009 - \$47,826), and rental expenses of \$28,613 (2009 - \$Nil) with a company controlled by a director. As at September 30, 2010, \$103,750 (2009 - \$20,707) was included in accounts payable and accrued liabilities.
- f) Incurred fees of \$89,487 (2009 - \$150,848) with an accounting firm in which a former officer of the Company is a partner. As at September 30, 2010, \$29,215 (2009 - \$32,994) was included in accounts payable and accrued liabilities.
- g) Incurred consulting fees of \$60,000 (2009 - \$60,000) with a company controlled by a director. As at September 30, 2010, \$22,200 (2009 - \$15,000) was included in accounts payable and accrued liabilities.
- h) Incurred consulting fees of \$35,000 (2009 - \$Nil) with a company controlled by an officer.
- i) Incurred advertising and promotional charges of \$30,900 (2009 - \$Nil), investor relations and marketing fees of \$25,500 (2009 - \$Nil), and professional fees of \$1,000 (2009 - \$Nil) with a company controlled by an individual related to a director and officer.

15. Commitments

During the year ended September 30, 2008, the Company amended an existing agreement which called for the provision of financial and corporate advisory services in exchange for the quarterly issuance of 60,000 common shares of the Company until January 31, 2010. This agreement was amended to replace the quarterly issuance of 60,000 common shares of the Company with a quarterly fee of \$24,000 payable in cash, or at the Company's option and subject to regulatory approval, common shares of the Company. During the year ended September 30, 2010, this agreement was extended to January 31, 2013. During the year ended September 30, 2010, the quarterly fee was increased to \$30,000 payable in cash.

During the year ended September 30, 2008, the Company amended an existing agreement which called for the provision of corporate consulting services in exchange for an annual fee of \$60,000 payable monthly and the quarterly issuance of 30,000 common shares of the Company until January 31, 2010. This agreement was amended to replace the annual fee of \$60,000 and the quarterly issuance of 30,000 common shares of the Company with an annual fee of \$125,000 payable quarterly in cash, or at the Company's option and subject to regulatory approval, common shares of the Company. During the year ended September 30, 2010, this agreement was extended to January 31, 2013. During the year ended September 30, 2010, the annual fee was amended to a monthly fee of \$12,417 payable on the last business day of each completed calendar month.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

15. Commitments (continued)

During the year ended September 30, 2008, the Company entered into a sub-leasing agreement for office premises with a company in which a director of the Company is an officer and director (see also note 14(b)). The minimum lease obligations under this lease are as follows:

2011	\$ 33,951
2012	\$ 36,061
2013	\$ 36,061
2014	\$ 33,056

The Company also expects to incur operating costs associated with this lease of approximately \$36,000 per year.

During the year ended September 30, 2010, the Company entered into an agreement for the provision of investor relations services in exchange for an annual fee of 36,000 European Euros, payable in four installments. The agreement has a term of one year, and renews automatically each year unless cancelled in writing by either party.

During the year ended September 30, 2010, the Company entered into an agreement for the provision of consulting services in exchange for 250,000 stock options (see note 10(b)(iv)). The agreement has a term of twelve months and automatically renews for an additional consecutive twelve months unless terminated by either party by providing thirty days written notice prior to the expiration of the initial term or any subsequent twelve month term.

During the year ended September 30, 2010, the Company entered into an agreement for the provision of consulting services with a company controlled by a director, in exchange for a monthly fee of 12,000 United States Dollars payable on the last business day of each completed calendar month until April 30, 2013.

During the year ended September 30, 2010, the Company entered into an agreement for the provision of consulting services and the evaluation of strategic opportunities. During the year, the Company paid consulting fees of \$60,000 and has committed to paying additional fees under certain circumstances up to January 19, 2011, should the Company realize on one of these strategic opportunities.

16. Subsequent Events

Subsequent to the year ended September 30, 2010:

- a) The Company issued 18,010,000 units (pursuant to private placements) for cash proceeds of \$4,502,500. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.35 per share at any time prior to November 4, 2012 (the "expiry date"). In connection with these private placements, the Company paid commissions and fees of \$313,325 and issued 1,263,300 compensation options. Each compensation option entitles the holder to purchase one unit as described above, at a price of \$0.25 per unit until November 4, 2012.
- b) 4,571,428 warrants expired unexercised (see note 9(b)(i)).
- c) 250,000 stock options were exercised for proceeds of \$62,500.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009

16. Subsequent Events (continued)

- d) 85,000 warrants were exercised for proceeds of \$25,500.

17. Environmental Obligations

The Company's mining and exploration activities are governed by Peruvian Legislative Decree No. 613. The Company is required to present environmental studies on the impact of its exploration and mining operations to the Ministry of Energy and Mines.

To date, the Company has not incurred any significant environmental liabilities.