
Consolidated Financial Statements

Macusani Yellowcake Inc.

For the Period from November 9, 2006 to September 30, 2007

INDEX

Auditors' Report	1
Consolidated Balance Sheet	2
Consolidated Statement of Operations and Deficit	3
Consolidated Cash Flow Statement	4
Notes to the Consolidated Financial Statements	5 - 16

Bolton & Bolton

Chartered Accountants

AUDITORS' REPORT

TO THE SHAREHOLDERS OF MACUSANI YELLOWCAKE INC.

We have audited the consolidated balance sheet of Macusani Yellowcake Inc. as at September 30, 2007, and the consolidated statements of operations and deficit and cash flows for the period 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2007, and the results of its operations and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Signed "Bolton & Bolton"

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
November 26, 2007

Macusani Yellowcake Inc.

Consolidated Balance Sheet

As at September 30, 2007

Assets

Current Assets

Cash and cash equivalents	\$ 3,666,005
Other receivables	67,044
Prepaid expenses	<u>5,060</u>

3,738,109

Deferred Transaction Costs (note 5) 124,596

Mineral Properties and Deferred Exploration Costs (note 4) 2,539,461

\$ 6,402,166

Liabilities

Current Liabilities

Accounts payable and accrued liabilities \$ 176,632

176,632

Shareholders' Equity

Share Capital (note 6) 6,649,849

Warrants (note 7) 972,690

Stock Options (note 8) 780,000

Deficit (2,177,005)

6,225,534

\$ 6,402,166

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

Approved on behalf of the Board

Signed "Lonnie Kirsh", Director

Signed "R. James Andersen", Director

Macusani Yellowcake Inc.

Consolidated Statement of Operations and Deficit
For the Period Ended September 30, 2007

Revenue

Interest income \$ 63,955

Expenses

Administrative and office	11,247
Advertising and promotion	16,675
Bank charges	1,143
Consulting fees (note 6(b)(v))	340,700
Investor relations and marketing fees (note 6(b)(v))	664,167
Exploration expenses	31,541
Foreign exchange	71,663
Professional fees	224,033
Rent and utilities	20,500
Stock-based compensation (note 8)	780,000
Travel	<u>79,291</u>

2,240,960

Net Loss for the Period (2,177,005)

Deficit - Beginning of Period -

Deficit - End of Period \$ (2,177,005)

Loss per Share - basic and diluted \$ (0.13)

**Weighted Average Number of Common Shares
Outstanding - basic and diluted** 16,494,809

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

Macusani Yellowcake Inc.

Consolidated Cash Flow Statement
For the Period Ended September 30, 2007

Cash Flows from Operating Activities

Net loss	\$ (2,177,005)
Items not affecting cash:	
Stock based compensation	780,000
Services rendered paid by issuance of common shares	<u>800,367</u>
	(596,638)
Net changes in non-cash working capital:	
Increase in other receivables	(67,044)
Increase in prepaid expenses	(5,060)
Increase in accounts payable and accrued liabilities	<u>105,112</u>
	<u>(563,630)</u>

Cash Flows from Financing Activities

Issuance of share capital	5,724,482
Issuance of warrants	972,690
Private placement commissions	(400,000)
Deferred transaction costs	<u>(59,602)</u>
	<u>6,237,570</u>

Cash Flows from Investing Activities

Mineral properties and deferred exploration costs	<u>(2,007,935)</u>
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Change in Cash and Cash Equivalents 3,666,005

Cash and Cash Equivalents - Beginning of Period -

Cash and Cash Equivalents - End of Period \$ 3,666,005

Supplemental Cash Flow Information

Interest received \$ 58,284

Significant Non-Cash Transaction Not Disclosed Above

Shares issued for acquisition of mineral properties \$ 525,000

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

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

1. Nature of Operations

Masucani Yellowcake Inc. (the “Company”) is an Ontario corporation formed by incorporation on November 9, 2006.

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 whether these properties contain mineral reserves. Consequently, the Company considers itself to be an exploration stage company.

2. Acquisition

The Company entered into an option agreement with Global Gold SAC, a Peruvian company, dated November 9, 2006 (the “Option Agreement”), under which the Company acquired an option allowing the Company to acquire up to a 49% undivided interest in Global Gold properties with the right to increase its interest to 85% under certain circumstances.

On January 31, 2007, the Company purchased 99.5% of the outstanding shares of Global Gold SAC for purchase consideration of \$525,000; accordingly, the above-noted Option Agreement has been superceded. The Company allocated the purchase price to the fair market value of the assets acquired. Specifically, \$866 was allocated to cash and cash equivalents and \$524,134 was allocated to mineral properties and deferred exploration costs. The purchase price was satisfied by the issuance of 1,500,000 common shares. See also note 6.

Prior to the above transactions, the owners of Global Gold SAC were not related to the Company.

3. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and reflect the following 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 future profitable operations. 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.

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.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

3. Significant Accounting Policies (continued)

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 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.

c) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and short term investments.

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 and developing its mineral properties and has not yet determined the amount of reserves available. 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) Basis of Consolidation

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

f) 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 Period Ended September 30, 2007

3. Significant Accounting Policies (continued)

g) Stock-Based Compensation

The Company has one stock option plan that is described in note 8.

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.

h) 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, 2007, the Company has not incurred or committed any asset retirement obligations related to its mineral properties.

i) Loss Per Share

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, 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 a loss in the period presented, basic and diluted loss per share are the same, as the exercise of all options and warrants would be anti-dilutive.

j) Related Party Transactions

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

k) 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 liability.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

3. Significant Accounting Policies (continued)

k) 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

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.

l) 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.

m) 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. The Company does not expect the adoption of this standard to have a material impact on disclosure in its consolidated financial statements.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

4. Mineral Properties and Deferred Exploration Costs

Current Expenditures	\$ 2,539,461
Balance - November 9, 2006	-
Write down of mineral properties	<u>-</u>
Balance - September 30, 2007	<u>\$ 2,539,461</u>

5. Deferred Transaction Costs

Deferred transaction costs represent costs related to the Qualifying Transaction that occurred subsequent to September 30, 2007. See Note 14 for additional information regarding this transaction.

6. Share Capital

a) Authorized:

Unlimited common shares

b) Common Shares Issued and Outstanding:

	<u>Number</u>	<u>Amount</u>
Balance - November 9, 2006	-	\$ -
Issued for: Cash	19,657,952	5,724,482
Services rendered	1,723,333	800,367
Acquisition of Global Gold SAC	1,500,000	525,000
Less: Private placement commissions	<u>-</u>	<u>(400,000)</u>
Balance - September 30, 2007	<u>22,881,285</u>	<u>\$ 6,649,849</u>

During the period ended September 30, 2007, the Company:

- i) Issued 3,989,285 units (pursuant to a private placement) for cash proceeds of \$1,396,250, of which \$239,357 was allocated to warrants (see note 7).

Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.50 per share at any time on or before the earlier of (i) December 31, 2008 or (ii) 180 days after the date the Company becomes a reporting issuer in any province or territory (the "expiry date"). The estimated fair value of the warrants was estimated at \$0.12 per warrant and this amount has been allocated to the warrant component of the units.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

6. Share Capital (continued)

b) Common Shares Issued and Outstanding: (continued)

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	4.05%
Expected life	2 years
Expected volatility	100%

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.

- ii) Issued 6,666,667 units (pursuant to a private placement) for cash proceeds of \$5,000,000, of which \$733,333 was allocated to warrants (see note 7).

Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$1 per share at any time on or before the earlier of (i) December 31, 2008 or (ii) twelve months after the date the Company becomes a reporting issuer in the province of Ontario (the "expiry date"). The estimated fair value of the warrants was estimated at \$0.22 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	4.05%
Expected life	1.5 years
Expected volatility	100%

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.

- iii) Issued 9,002,000 common shares for cash proceeds of \$300,922.
- iv) Issued 1,500,000 common shares to Colibri Mining North and the Gold Leaf Trust in satisfaction of the purchase price for Global Gold SAC as described in note 2.
- v) Issued 240,000 common shares to pay consulting fees of \$136,200 and 1,483,333 common shares to pay investor relations and marketing fees of \$664,167.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

7. Warrants

	<u>Number</u>	<u>Amount</u>
Balance - November 9, 2006	-	\$ -
Issued for cash	5,327,974	972,690
Expired	-	-
	<hr/>	<hr/>
Balance - September 30, 2007	<u>5,327,974</u>	<u>\$ 972,690</u>

As at September 30, 2007, the following common share purchase warrants (“Warrants”) were issued and outstanding:

- a) 1,994,642 Warrants entitling the holder to purchase one common share at \$0.50 per share at any time on or before the earlier of (i) December 31, 2008 or (ii) 180 days after the date the Company becomes a reporting issuer in any province or territory (the “expiry date”).
- b) 3,333,332 Warrants entitling the holder to purchase one common share at \$1 per share at any time on or before the earlier of (i) December 31, 2008 or (ii) twelve months after the date the Company becomes a reporting issuer in the province of Ontario (the “expiry date”).

8. 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.

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.

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

- b) During the period ended September 30, 2007, the Company:
 - i) Granted 1,200,000 stock options to directors and officers. Each option entitles the holder to purchase one share of the Company’s common stock at a price of \$0.50 per share until January 30, 2010.

The fair value of stock options to directors and officers 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	4.05%
Expected life	3.0 years
Expected volatility	100%

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

8. Stock Options (continued)

- ii) Granted 200,000 stock options to a director. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.50 per share until February 7, 2010.

The fair value of stock options to a director 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	4.05%
Expected life	3.0 years
Expected volatility	100%

- iii) Granted 1,500,000 stock options to directors, officers, employees and consultants. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.80 per share until May 29, 2010.

The fair value of stock options 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	4.05%
Expected life	3.0 years
Expected volatility	100%

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 - November 9, 2006	-	\$ -
Granted	2,900,000	780,000
Exercised	-	-
Expired/Cancelled	-	-
	<hr/>	<hr/>
Balance - September 30, 2007	<u>2,900,000</u>	<u>\$ 780,000</u>

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

8. Stock Options (continued)

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

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance - November 9, 2006	-	\$ -
Granted	2,900,000	0.66
Exercised	-	-
Expired/cancelled	-	-
	<hr/>	<hr/>
Balance - September 30, 2007	<u>2,900,000</u>	<u>\$ 0.66</u>

e) As at September 30, 2007 the following stock options were outstanding:

<u>Option Price</u>	<u>Number of Options</u>	<u>Expiry Date</u>
\$ 0.50	1,200,000	January 30, 2010
\$ 0.50	200,000	February 7, 2010
\$ 0.80	1,500,000	May 29, 2010

9. Income Taxes

a) Future Income Tax Assets

The tax effects of temporary differences that give rise to future income tax assets at September 30, 2007 are as follows:

Non-capital losses carried forward	\$ 632,610
Less: valuation allowance	<u>(632,610)</u>
	<u>\$ -</u>

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

b) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$1,965,761 available to reduce future years' taxable income. These losses will expire as follows:

Four years after production commences	\$ 536,361
2026	\$ 1,429,400

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

10. Related Party Transactions

During the period ended September 30, 2007 the Company (each lettered item refers to a distinct related party):

- a) Incurred bookkeeping fees of \$3,000 and consulting fees of \$88,400 with a company controlled by a director, \$45,400 of which was settled by the issuance of 80,000 common shares. The director is also an officer and a shareholder.
- b) Incurred rental expenses of \$20,500 and consulting fees of \$226,800 with companies controlled by a former officer, \$90,800 of which was settled by the issuance of 160,000 common shares.
- c) Incurred fees of \$92,349 with a legal firm in which a director of the Company is a partner. As at September 30, 2007, \$45,465 was included in accounts payable and accrued liabilities.
- d) Incurred management fees of \$113,865 and vehicle rental expenses of \$20,933, related to deferred exploration costs, with a company controlled by a director.

11. Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, other receivables and accounts payable and accrued liabilities 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 U.S. Dollars or Nuevos Soles, and is therefore subject to foreign exchange risk on this payment stream.

12. Commitments

During the period, the Company entered into an agreement for the provision of investor relations and corporate marketing services in exchange for the quarterly issuance of 250,000 common shares of the Company until February 29, 2008. Subsequent to September 30, 2007, this agreement was amended to extend the period of the agreement to March 31, 2009. The quarterly issuance of 250,000 common shares of the Company was replaced by a quarterly fee of \$100,000 payable in common shares of the Company at the Company's option, subject to regulatory approval.

During the period, the Company entered into an agreement 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. Subsequent to September 30, 2007, 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, subject to regulatory approval.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

12. Commitments (continued)

During the period, the Company entered into an agreement 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. Subsequent to September 30, 2007, 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.

The annual obligations for the agreements noted above is as follows:

2008	\$	621,000
2009	\$	421,000
2010	\$	73,667

13. Subsequent Events

Subsequent to the period ended September 30, 2007, the Company:

- a) Granted 250,000 stock options to a director. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.80 per share until October 10, 2010.
- b) Granted 45,000 stock options to a consultant. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.95 per share until November 20, 2010.

14. Qualifying Transaction

The Company entered into a letter agreement (the "Agreement") with Silver Net Equities Corp. ("Silver Net") dated March 22, 2007 under which the Company issued an offer to the shareholders of Silver Net to amalgamate the two entities to form one entity ("Amalco"). This transaction was intended to serve as Silver Net's "Qualifying Transaction" pursuant to the policies of the TSX Venture Exchange and was finalized subsequent to the period ended September 30, 2007.

aggregate. In addition, upon the closing of the Qualifying Transaction, the common shares of the Company were exchanged for common shares of Amalco on a share for share basis. Immediately prior to the closing of the Qualifying Transaction, Silver Net was not to have more than 2,000,000 common shares outstanding and no more than 300,000 common shares reserved for issuance upon the exercise of outstanding options and agent's options.

Upon the closing of the Qualifying Transaction, all outstanding options, warrants and other convertible securities of Silver Net and the Company were exchanged for securities of Amalco pursuant to the Qualifying Transaction, having the same conditions, subject to, in the case of Silver Net, adjustment based on the Silver Net Exchange Ratio.

As the shareholders of the Company became the controlling shareholders of Amalco, the transaction has been accounted for as a reverse takeover. For accounting purposes, the Company is the deemed acquirer and Silver Net the deemed acquired company. Since Silver Net's operations do not constitute an economic unit, this transaction has been accounted for as a capital transaction. The companies were amalgamated on October 31, 2007 under the name "Macusani Yellowcake Inc.."

On November 13, 2007, the common shares of the amalgamated company began trading on the TSX Venture Exchange.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Period Ended September 30, 2007

15. 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.