
Consolidated Financial Statements

Macusani Yellowcake Inc.

For the Years Ended September 30, 2009 and 2008

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AUDITORS' REPORT

To the Shareholders of Macusani Yellowcake Inc.

We have audited the consolidated balance sheets of Macusani Yellowcake Inc. as at September 30, 2009 and the consolidated statements of operations and deficit and cash flows for the year 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at September 30, 2008 and for the year then ended were audited by another firm of auditors who expressed an opinion without reservation on these statements in their report dated November 20, 2008.



Toronto, Canada
December 15, 2009

Chartered Accountants
Licensed Public Accountants

Macusani Yellowcake Inc.

Consolidated Balance Sheets
As at September 30

	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 741,912	\$ 230,421
Other receivables	129,154	148,753
Prepaid expenses	46,212	141,421
	<u>917,278</u>	<u>520,595</u>
Sales Taxes Recoverable (note 5)	264,477	155,701
Property, Plant and Equipment (note 6)	9,267	11,577
Mineral Properties and Deferred Exploration Costs (note 7)	<u>7,199,042</u>	<u>4,489,033</u>
	<u>\$ 8,390,064</u>	<u>\$ 5,176,906</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 180,898	\$ 420,055
Accrued Preliminary Economic Assessment costs	643,884	-
	<u>824,782</u>	<u>420,055</u>
Commitments - note 15		
Shareholders' Equity		
Share Capital (note 8)	10,175,812	6,843,599
Warrants (note 9)	1,010,154	733,333
Stock Options (note 10)	1,159,174	988,576
Contributed Surplus (note 11)	1,095,430	241,257
Deficit	<u>(5,875,288)</u>	<u>(4,049,914)</u>
	<u>7,565,282</u>	<u>4,756,851</u>
	<u>\$ 8,390,064</u>	<u>\$ 5,176,906</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 Deficit
For the Years Ended September 30

	2009	2008
Revenue		
Interest income	\$ 5,559	\$ 61,230
Expenses		
Administrative and office	21,025	31,014
Advertising and promotion	46,630	35,626
Amortization	2,310	1,286
Bank charges	2,922	2,477
Consulting fees	570,466	554,111
Exploration expenses	233,002	31,147
Foreign exchange	(3,015)	2,338
Investor relations and marketing fees	133,048	324,690
Professional fees	339,792	342,872
Rent and utilities	69,559	24,859
Stock-based compensation (note 10)	291,438	210,476
Transaction costs (note 3)	-	386,762
Transfer and filing fees	50,412	36,456
Travel	73,344	59,615
	<u>1,830,933</u>	<u>2,043,729</u>
Net Loss for the Year	(1,825,374)	(1,982,499)
Deficit - Beginning of Year	(4,049,914)	(2,177,005)
Reverse Takeover Transaction Costs (note 3)	<u>-</u>	<u>109,590</u>
Deficit - End of Year	<u>\$ (5,875,288)</u>	<u>\$ (4,049,914)</u>
Loss per Share - basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.08)</u>
Weighted Average Number of Common Shares		
Outstanding - basic and diluted	<u>35,161,944</u>	<u>24,177,596</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

	2009	2008
Cash Flows from Operating Activities		
Net loss	\$ (1,825,374)	\$ (1,982,499)
Items not affecting cash:		
Amortization	2,310	1,286
Stock based compensation	291,438	210,476
Transaction costs	-	386,762
	<u>(1,531,626)</u>	<u>(1,383,975)</u>
Net changes in non-cash working capital:		
Other receivables	19,599	(66,941)
Prepaid expenses	95,209	(136,361)
Accounts payable and accrued liabilities	(180,196)	181,555
Sales taxes recoverable	(108,776)	(155,701)
	<u>(1,705,790)</u>	<u>(1,561,423)</u>
Cash Flows from Financing Activities		
Issuance of share capital	3,379,013	-
Issuance of warrants	1,010,154	-
Private placement commissions	(46,800)	-
Deferred transaction costs	-	(126,608)
Proceeds of exercise of options	-	40,000
Cash acquired on amalgamation	-	65,901
	<u>4,342,367</u>	<u>(20,707)</u>
Cash Flows from Investing Activities		
Mineral properties and deferred exploration costs	(2,125,086)	(1,840,591)
Property, plant and equipment	-	(12,863)
	<u>(2,125,086)</u>	<u>(1,853,454)</u>
Change in Cash and Cash Equivalents	511,491	(3,435,584)
Cash and Cash Equivalents - Beginning of Year	<u>230,421</u>	<u>3,666,005</u>
Cash and Cash Equivalents - End of Year	<u>\$ 741,912</u>	<u>\$ 230,421</u>
Supplemental Cash Flow Information		
Interest received	<u>\$ 5,559</u>	<u>\$ 59,938</u>
Shares issued for services rendered in connection with the amalgamation	<u>\$ -</u>	<u>\$ 153,750</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, 2009 and 2008

1. Nature of Operations

Macusani Yellowcake Inc. (the “Company”) is an Ontario corporation formed by amalgamation on October 31, 2007 as described below. 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.

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

2. Acquisition

On January 31, 2007, Old Macusani purchased 99.5% of the outstanding shares of Global Gold SAC, a Peruvian company holding various rights to several mineral properties prospective for uranium located in southeastern Peru, for purchase consideration of \$525,000. Old Macusani 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.

3. Acquisition and Amalgamation

Old Macusani entered into a merger agreement (the “Agreement”) with Silver Net dated September 14, 2007 under which Old Macusani and Silver Net agreed to amalgamate and form one company.

On October 31, 2007, pursuant to the Agreement, Old Macusani amalgamated with Silver Net and issued 1,100,000 common shares of the Company to the shareholders of Silver Net in exchange for all of the issued and outstanding shares of Silver Net, and 110,000 stock options in exchange for all of the issued and outstanding Silver Net stock options. Completion of the transaction constituted Silver Net’s qualifying transaction under TSX Venture Exchange policies. The shareholders of Old Macusani held the majority of the outstanding shares of the Company following the transaction, and accordingly, the transaction has been accounted for as a reverse takeover. Since Silver Net’s operations do not constitute an economic unit, the transaction has been accounted for as a capital transaction. The comparative figures presented in these financial statements contain the historical results of Old Macusani.

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

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

4. 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.

Subsequent to the year ended September 30, 2009, the Company raised \$2,830,000 pursuant to private placements (see also note 16). The Company feels that these funds will be sufficient for fiscal 2010, at which point the Company intends to raise additional capital.

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 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. 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.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

4. Significant Accounting Policies (continued)

d) Mineral Properties and Deferred Exploration Costs (continued)

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 consist of office furniture and equipment, and are amortized at 20% on a declining balance basis. 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. 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.

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, 2009, the Company has not incurred any material asset retirement obligations related to its mineral properties.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

4. Significant Accounting Policies (continued)

j) Loss Per Share

Loss per share is computed by dividing the 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 a loss in the year 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.

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
Sales taxes recoverable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Accrued Preliminary Economic Assessment costs	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.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

4. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

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, 2009 and September 30, 2008, 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.

CICA Handbook Section 3862, Financial Instruments - Disclosures, and CICA Handbook Section 3863, Financial Instruments - Presentation replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Sections 3862 and 3863 were effective for the Company as of October 1, 2007.

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.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

4. Significant Accounting Policies (continued)

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. Section 1535 was effective for the Company as of October 1, 2007. 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, 2009.

p) Recent Accounting Pronouncements Not Yet Applied

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

5. Sales Taxes Recoverable

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

6. Property, Plant and Equipment

	<u>September 30, 2009</u>			<u>September</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>30, 2008</u>
		<u>Amortization</u>		<u>Net</u>
Furniture and equipment	\$ 12,863	\$ 3,596	\$ 9,267	\$ 11,577

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

7. Mineral Properties and Deferred Exploration Costs

	Year Ended September 30, 2009	Year Ended September 30, 2008
Current year acquisition costs	\$ 500,000	\$ 931,250
Current year exploration expenditures	2,443,011	1,018,322
Balance - beginning of year	4,489,033	2,539,461
Write-off of mineral properties	<u>(233,002)</u>	<u>-</u>
Balance - end of year	<u>\$ 7,199,042</u>	<u>\$ 4,489,033</u>

During the period ended September 30, 2009, the Company acquired the Corachapi and Kihitian concessions on the Macusani Plateau, including all related data and equipment, for cash consideration of \$500,000. The Company also assumed a 1% net smelter royalty obligation in respect of the Corachapi concessions in connection with this transaction. Significant prior exploration work has been carried out on these concessions, and the Company is in the process of recovering all prior exploration data and plans to have an independent third party calculate a resource in accordance with National Instrument 43-101.

During the year ended September 30, 2009, the Company determined that further exploration of two properties on the Macusani Plateau would not be economically viable following the results of a geological report produced by an independent third party. As a result, the Company has written off the acquisition costs and deferred exploration expenditures associated with these properties.

8. Share Capital

a) Authorized:

Unlimited common shares

b) Common Shares Issued and Outstanding:

	<u>Number</u>	<u>Amount</u>
Balance - September 30, 2008	24,296,285	\$ 6,843,599
Issued for cash	17,114,999	3,379,013
Issued for services rendered	320,000	60,800
Less: Issuance costs	<u>-</u>	<u>(107,600)</u>
Balance - September 30, 2009	<u>41,731,284</u>	<u>\$ 10,175,812</u>

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

8. Share Capital (continued)

During the period ended September 30, 2009, the Company:

- i) Issued 7,619,047 units (pursuant to a private placement) for cash proceeds of \$2,000,000, of which \$470,754 was allocated to common share purchase warrants (“warrants”) (see note 9).

Each unit consists of one common share and 0.60 of one warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.35 per share at any time prior to October 23, 2010 (the “expiry date”). The estimated fair value of the warrants was estimated at approximately \$0.103 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	2.07%
Expected life	2 years
Expected volatility	123%

- ii) Issued 8,990,000 units (pursuant to a private placement) for cash proceeds of \$2,247,500, of which \$539,400 was allocated to warrants (see note 9).

Each unit consists of one common share and one-half of one 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 May 22, 2011 (the “expiry date”). The estimated fair value of the warrants was estimated at approximately \$0.12 per warrant and this amount has been allocated to the warrant component of the units.

In connection with the private placement, the Company paid fees totalling \$46,800 and issued 320,000 finder’s common shares with a value of \$60,800.

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	1.27%
Expected life	2 years
Expected volatility	142%

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 505,952 common shares for gross proceeds of \$141,667 pursuant to a private placement.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

9. Warrants

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

	<u>Number</u>	<u>Amount</u>
Balance - September 30, 2008	3,333,332	\$ 733,333
Issued for cash	9,066,428	1,010,154
Expired	<u>(3,333,332)</u>	<u>(733,333)</u>
Balance - September 30, 2009	<u>9,066,428</u>	<u>\$ 1,010,154</u>

b) As at September 30, 2009, the following 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").

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.

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, 2009, the Company:

Granted 1,913,000 stock options to directors, officers, employees, and consultants, one-third of which vested immediately, with a further one-third vesting in each of September 2009 and March 2010. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until February 6, 2014.

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	2.10%
Expected life	5.0 years
Expected volatility	167%

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

10. Stock Options (continued)

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

	<u>Number</u>	<u>Amount</u>
Balance - September 30, 2008	3,415,000	\$ 988,576
Granted	1,913,000	270,723
Stock-based compensation expensed	-	20,715
Cancelled	<u>(318,000)</u>	<u>(120,840)</u>
Balance - September 30, 2009	<u>5,010,000</u>	<u>\$ 1,159,174</u>

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

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance - September 30, 2008	3,415,000	\$ 0.35 ⁽¹⁾
Granted	1,913,000	0.25
Cancelled	<u>(318,000)</u>	<u>(0.35)⁽¹⁾</u>
Balance - September 30, 2009	<u>5,010,000</u>	<u>\$ 0.31</u>

⁽¹⁾ During the period ended September 30, 2009, the Company amended the option price of all outstanding options to \$0.35 per share. The Company also extended the expiry date on some of the options by two years.

e) As at September 30, 2009, the following stock options were outstanding:

<u>Option Price</u>	<u>Number of Options</u>		<u>Expiry Date</u>
	<u>Unvested</u>	<u>Vested</u>	
\$ 0.35 ⁽¹⁾	-	1,200,000	January 30, 2012
\$ 0.35 ⁽¹⁾	-	200,000	February 7, 2012
\$ 0.35 ⁽¹⁾	-	1,177,000	May 29, 2012
\$ 0.35 ⁽¹⁾	-	250,000	October 10, 2012
\$ 0.35 ⁽¹⁾	-	45,000	November 20, 2012
\$ 0.35 ⁽¹⁾	-	100,000	December 20, 2010
\$ 0.35 ⁽¹⁾	-	100,000	March 1, 2011
\$ 0.35 ⁽¹⁾	-	25,000	June 9, 2011
\$ 0.25	637,660	1,275,340	February 6, 2014

⁽¹⁾ During the period ended Septemeber 30, 2009, the Company amended the option price of all outstanding options to \$0.35 per share. The Company also extended the expiry date on some of the options by two years.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

11. Contributed Surplus

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

Balance - September 30, 2008	\$ 241,257
Warrants expired	733,333
Options cancelled	<u>120,840</u>
Balance - September 30, 2009	<u>\$ 1,095,430</u>

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, 2009 are as follows:

Non-capital losses carried forward	\$ 2,195,852
Share issuance costs	73,842
Transaction costs	33,451
Property, plant and equipment	22
Less: valuation allowance	<u>(2,303,167)</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 \$7,481,016 available to reduce future years' taxable income. These losses will expire as follows:

2012	\$ 734,955
2013	\$ 1,583,756
2014	\$ 766,074
2026	\$ 1,509,137
2027	\$ 142,142
2028	\$ 1,257,829
2029	\$ 1,487,123

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

13. Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and accrued Preliminary Economic Assessment costs 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 Peruvian 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 and South African Rand.

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.

Sensitivity Analysis

As at September 30, 2009, cash and cash equivalents includes 121,560 United States Dollars and 1,052 Peruvian Nuevos Soles, sales taxes recoverable includes 702,042 Peruvian Nuevos Soles, and accounts payable and accrued liabilities includes 48,582 United States Dollars, 36,087 Peruvian Nuevos Soles, 375,268 United Kingdom Pounds Sterling, and 84,631 South African Rand.

At September 30, 2009, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been \$12,739 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 for the period would have been \$25,127 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 for the period would have been \$64,388 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 for the period would have been \$1,185 higher (lower).

14. Related Party Transactions

During the period ended September 30, 2009, the Company:

- a) Incurred consulting fees of \$120,000 (2008 - \$121,250) with a company controlled by a director. The Company also incurred consulting fees of \$60,000 (2008 - \$30,000) with two individuals related to this director. As at September 30, 2009, \$10,500 was included in accounts payable and accrued liabilities (2008 - \$32,025 was included in prepaid expenses). The director is also an officer and a shareholder.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

14. Related Party Transactions (continued)

- b) Incurred rental expenses of \$69,559 (2008 - \$6,859) and administrative expenses of \$4,073 (2008 - \$Nil) with a company in which a director of the Company is an officer and director. As at September 30, 2009, \$6,169 was included in prepaid expenses (2008 - \$2,799 was included in accounts payable and accrued liabilities). The director is also an officer and a shareholder.
- c) Incurred consulting fees of \$96,000 (2008 - \$24,000) and rental expenses of \$Nil (2008 - \$18,000) with companies controlled by a former officer. As at September 30, 2009, \$16,000 was included in accounts payable and accrued liabilities (2008 - \$24,000 was included in prepaid expenses).
- d) Incurred fees of \$121,997 (2008 - \$126,848) with a legal firm in which a former director of the Company is a partner. As at September 30, 2009, \$9,545 (2008 - \$35,549) was included in accounts payable and accrued liabilities.
- e) Incurred management fees of \$148,757 (2008 - \$120,199), consulting fees of \$Nil (2008 - \$105,605) and vehicle rental expenses of \$47,826 (2008 - \$48,690) with a company controlled by a director. As at September 30, 2009, \$20,707 (2008 - \$Nil) was included in accounts payable and accrued liabilities.
- f) Incurred fees of \$150,848 (2008 - \$128,511) with an accounting firm in which an officer of the Company is a partner. As at September 30, 2009, \$32,994 (2008 - \$35,801) was included in accounts payable and accrued liabilities.
- g) Incurred consulting fees of \$Nil (2008 - \$15,000) with a director and \$60,000 (2008 - \$15,000) with a company controlled by this director. As at September 30, 2009, \$15,000 (2008 - \$15,000) was included in accounts payable and accrued liabilities.

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, 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.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Years Ended September 30, 2009 and 2008

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:

2010	\$ 33,759
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.

16. Subsequent Events

Subsequent to the year ended September 30, 2009, the Company:

- a) Issued 14,150,000 common shares for gross proceeds of \$2,830,000 pursuant to a private placement.
- b) Granted 1,850,000 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 \$0.25 per share until December 15, 2014.

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.