
Consolidated Financial Statements

Macusani Yellowcake Inc.

For the Six Months Ended March 31, 2008

Unaudited

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NOTICE TO READER

The accompanying unaudited interim consolidated financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Macusani Yellowcake Inc.

Consolidated Balance Sheets
Unaudited - see Notice to Reader

	March 31, 2008	September 30, 2007 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,048,864	\$ 3,666,005
Other receivables	133,177	67,044
Prepaid expenses	<u>160,578</u>	<u>5,060</u>
	2,342,619	3,738,109
Deferred Transaction Costs (note 3)	-	124,596
Mineral Properties and Deferred Exploration Costs (note 7)	<u>3,442,090</u>	<u>2,539,461</u>
	<u>\$ 5,784,709</u>	<u>\$ 6,402,166</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 362,048</u>	<u>\$ 176,632</u>
Shareholders' Equity		
Share Capital (note 8)	6,843,599	6,649,849
Warrants (note 9)	972,690	972,690
Stock Options (note 10)	966,143	780,000
Deficit	<u>(3,359,771)</u>	<u>(2,177,005)</u>
	<u>5,422,661</u>	<u>6,225,534</u>
	<u>\$ 5,784,709</u>	<u>\$ 6,402,166</u>

Approved on behalf of the Board

Signed "Lonnie Kirsh", Director

Signed "R. James Andersen", Director

Macusani Yellowcake Inc.

Consolidated Statements of Operations and Deficit

For the Periods Ended March 31, 2008 and 2007

Unaudited - see Notice to Reader

	Six Months Ended		Three Months Ended	
	March 31, 2008	March 31, ⁽¹⁾ 2007	March 31, 2008	March 31, 2007
Revenue				
Interest income	\$ 30,871	\$ -	\$ 19,918	\$ -
Expenses				
Administrative and office	6,948	1,456	5,479	1,456
Advertising and promotion	15,172	4,225	3,204	4,225
Bank charges	1,201	476	594	191
Consulting fees	161,017	197,500	79,210	137,500
Exploration expenses	-	31,541	-	31,541
Foreign exchange	140	6,352	(250)	6,352
Investor relations and marketing fees	334,735	344,167	169,569	344,167
Professional fees	144,483	83,126	105,758	80,441
Rent and utilities	12,000	8,500	6,000	8,500
Stock-based compensation (note 10)	186,143	210,000	21,143	210,000
Transaction costs	386,762	-	-	-
Transfer and filing fees	30,576	-	13,122	-
Travel	44,050	53,459	23,133	53,459
	<u>1,323,227</u>	<u>940,802</u>	<u>426,962</u>	<u>877,832</u>
Net Loss for the period	(1,292,356)	(940,802)	(407,044)	(877,832)
Deficit - Beginning of Period	(2,177,005)	-	(2,952,727)	(62,970)
Reverse Takeover Transaction				
Costs (note 3)	<u>109,590</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficit - End of Period	<u><u>\$(3,359,771)</u></u>	<u><u>\$ (940,802)</u></u>	<u><u>\$(3,359,771)</u></u>	<u><u>\$ (940,802)</u></u>
Loss per Share - basic and diluted	<u><u>\$ (0.05)</u></u>	<u><u>\$ (0.04)</u></u>	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.04)</u></u>
Weighted Average Number of Common Shares				
Outstanding - basic and diluted	<u>24,058,908</u>	<u>22,881,285</u>	<u>24,296,285</u>	<u>22,881,285</u>

⁽¹⁾ For the period from November 9, 2006 to March 31, 2007

Macusani Yellowcake Inc.

Consolidated Cash Flow Statements

For the Periods Ended March 31, 2008 and 2007

Unaudited - see Notice to Reader

	Six Months Ended		Three Months Ended	
	March 31, 2008	March 31, ⁽¹⁾ 2007	March 31, 2008	March 31, 2007
Cash Provided By (Used In):				
Operating Activities				
Net loss	\$(1,292,356)	\$ (940,802)	\$ (407,044)	\$ (877,832)
Items not affecting cash:				
Stock based compensation	186,143	210,000	21,143	210,000
Services rendered paid by issuance of common shares	-	365,167	-	365,167
Deferred transaction costs	386,762	-	-	-
	(719,451)	(365,635)	(385,901)	(302,665)
Net changes in non-cash working capital:				
Decrease (increase) in accounts receivable	(78,766)	(14,630)	(48,180)	(10,509)
Decrease (increase) in prepaid expenses	(128,117)	(41,969)	(73,696)	(41,969)
Increase (decrease) in accounts payable and accrued liabilities	226,725	70,231	93,384	68,481
	(699,609)	(352,003)	(414,393)	(286,662)
Financing Activities				
Issuance of share capital	-	1,794,595	-	1,168,893
Issuance of warrants	-	318,007	-	191,707
Proceeds of exercise of options	40,000	-	-	-
Transaction costs	(126,608)	-	(38,480)	-
Due to related parties	-	16,200	-	(94,078)
Cash acquired on amalgamation	65,901	-	-	-
	(20,707)	2,128,802	(38,480)	1,266,522
Investing Activities				
Mineral properties and deferred exploration costs	(896,825)	(370,381)	(276,001)	(148,300)
Change in Cash and Cash Equivalents	(1,617,141)	1,406,418	(728,874)	831,560
Cash and Cash Equivalents				
- Beginning of Period	3,666,005	-	2,777,738	574,858
Cash and Cash Equivalents				
- End of Period	\$ 2,048,864	\$ 1,406,418	\$ 2,048,864	\$ 1,406,418
Supplemental Cash Flow Information				
Interest received	\$ 30,871	\$ -	\$ 19,918	\$ -
Significant Non-Cash Transaction Not Disclosed Above				
Shares issued for acquisition of mineral properties	\$ -	\$ 525,000	\$ -	\$ 525,000

⁽¹⁾ For the period from November 9, 2006 to March 31, 2007

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements

For the Six Months Ended March 31, 2008

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1. Nature of Operations

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

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 are 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 Six Months Ended March 31, 2008

Unaudited - see Notice to Reader

4. Changes in Accounting Policies

a) 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 does not use any capital-based metrics. The Company does not have any externally imposed capital requirements.

b) Financial Instruments

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.

As at March 31, 2008, cash and cash equivalents includes 214,509 United States Dollars and 637 Peruvian Nuevos Soles, other receivables includes 245,176 Peruvian Nuevos Soles and accounts payable and accrued liabilities includes 5,535 United States Dollars and 17,845 Peruvian Nuevos Soles.

At March 31, 2008, 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 \$21,451 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 \$8,526 higher (lower).

5. Interim Financial Statements

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These interim consolidated financial statements have not been reviewed by the Company's auditors.

The notes presented in these unaudited interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters required by Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the period from November 9, 2006 to September 30, 2007.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements

For the Six Months Ended March 31, 2008

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6. Basis of Presentation

These interim 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 interim 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 interim consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used. See also note 5.

7. Mineral Properties and Deferred Exploration Costs

	Six Months Ended March 31, 2008	Period from November 9, 2006 to March 31, 2007
Current expenditures	\$ 902,629	\$ 895,381
Balance - beginning of period	2,539,461	-
Write-down of mineral properties	-	-
Balance - end of period	<u>\$ 3,442,090</u>	<u>\$ 895,381</u>

Macusani Yellowcake Inc.

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8. Share Capital

a) Authorized:

Unlimited common shares

b) Common Shares Issued and Outstanding:

	<u>Number</u>	<u>Amount</u>
Macusani Yellowcake Inc. (Old)		
Balance - September 30 and October 30, 2007	<u>22,881,285</u>	<u>\$ 6,649,849</u>
Macusani Yellowcake Inc. (New) (formerly Silver Net Equities Corp.)		
Balance - September 30 and October 30, 2007	2,000,000	\$ 222,564
Elimination of share capital in Silver Net	(900,000)	(222,564)
Issued to shareholders of Old Macusani upon amalgamation	22,881,285	6,649,849
Issued for services rendered	205,000	153,750
Issued on exercise of options	<u>110,000</u>	<u>40,000</u>
Balance - March 31, 2008	<u>24,296,285</u>	<u>\$ 6,843,599</u>

During the period ended March 31, 2008, the Company:

- i) Issued 110,000 common shares pursuant to the exercise of an equivalent number of stock options for cash proceeds of \$40,000.
- ii) Issued 205,000 common shares to pay finder's and sponsor's fees of \$153,750 related to the acquisition and amalgamation described in note 3.
- iii) Issued 22,881,285 common shares in exchange for the 22,881,285 issued and outstanding common shares of Old Macusani in conjunction with the acquisition and amalgamation as described in note 3. Upon amalgamation, the shares of Old Macusani had a recorded value of \$6,649,849, which has been allocated to the common shares issued.

Macusani Yellowcake Inc.

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9. Warrants

	<u>Number</u>	<u>Amount</u>
Macusani Yellowcake Inc. (Old)		
Balance - September 30 and October 30, 2007	<u>5,327,974</u>	\$ 972,690
Macusani Yellowcake Inc. (New) (formerly Silver Net Equities Corp.)		
Balance - September 30 and October 30, 2007	-	\$ -
Issued to shareholders of Old Macusani upon amalgamation	<u>5,327,974</u>	<u>972,690</u>
Balance - March 31, 2008	<u>5,327,974</u>	<u>\$ 972,690</u>

As at March 31, 2008, 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”).

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.

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.

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For the Six Months Ended March 31, 2008

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10. Stock Options (continued)

b) During the period from October 1, 2007 to October 30, 2007, Old Macusani:

- i) Granted 250,000 stock options to a director. Each option entitles the holder to purchase one share of Old Macusani's common stock at a price of \$0.80 per share until October 10, 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	4.40%
Expected life	3.0 years
Expected volatility	100%

c) During the period from October 31, 2007 to March 31, 2008, the Company:

- i) 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.

The fair value of stock options to a 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	3.75%
Expected life	3.0 years
Expected volatility	100%

- ii) Granted 100,000 stock options to 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 December 20, 2010.

The fair value of stock options to 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	3.81%
Expected life	3.0 years
Expected volatility	100%

- iii) Granted 100,000 stock options to a consultant, 50,000 of which vest immediately, with the remaining 50,000 options vesting September 1, 2008. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.80 per share until March 1, 2011.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements

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10. Stock Options (continued)

The fair value of stock options to a 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	2.83%
Expected life	3.0 years
Expected volatility	100%

- iv) Granted 3,150,000 options in exchange for the 3,150,000 outstanding options of Old Macusani in conjunction with the acquisition and amalgamation described in note 3. The options had a recorded value of \$875,000, and were exercisable at various prices.

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.

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

	<u>Number</u>	<u>Amount</u>
Macusani Yellowcake Inc. (Old)		
Balance - September 30, 2007	2,900,000	\$ 780,000
Granted	250,000	95,000
	<u>3,150,000</u>	<u>\$ 875,000</u>
Macusani Yellowcake Inc. (New) (formerly Silver Net Equities Corp.)		
Balance - September 30 and October 30, 2007	200,000	\$ 16,300
Elimination of options in Silver Net	(90,000)	(16,300)
Granted to shareholders of Old Macusani upon amalgamation	3,150,000	875,000
Granted	245,000	91,143
Exercised	<u>(110,000)</u>	<u>-</u>
Balance - March 31, 2008	<u>3,395,000</u>	<u>\$ 966,143</u>

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements
For the Six Months Ended March 31, 2008
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10. Stock Options (continued)

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

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Macusani Yellowcake Inc. (Old)		
Balance - September 30, 2007	2,900,000	\$ 0.66
Granted	<u>250,000</u>	<u>0.80</u>
Balance - October 30, 2007	<u><u>3,150,000</u></u>	<u><u>\$ 0.67</u></u>

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Macusani Yellowcake Inc. (New) (formerly Silver Net Equities Corp.)		
Balance - September 30 and October 30, 2007	200,000	\$ 0.20
Elimination of options in Silver Net	(90,000)	-
Granted to shareholders of Old Macusani upon amalgamation	3,150,000	0.67
Granted	245,000	0.83
Exercised	<u>(110,000)</u>	<u>(0.36)</u>
Balance - March 31, 2008	<u><u>3,395,000</u></u>	<u><u>\$ 0.68</u></u>

f) As at March 31, 2008 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>	
\$ 0.50	-	1,200,000	January 30, 2010
\$ 0.50	-	200,000	February 7, 2010
\$ 0.80	-	1,500,000	May 29, 2010
\$ 0.80	-	250,000	October 10, 2010
\$ 0.95	-	45,000	November 20, 2010
\$ 0.80	-	100,000	December 20, 2010
\$ 0.80	50,000	50,000	March 1, 2011

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements

For the Six Months Ended March 31, 2008

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11. Related Party Transactions

During the period ended March 31, 2008 the Company:

- a) Incurred consulting fees of \$60,000 with a company controlled by a director. The director is also an officer and a shareholder. As at March 31, 2008, \$2,724 was included in accounts payable and accrued liabilities, and \$30,000 was included in prepaid expenses.
- b) Incurred fees of \$68,288 with a legal firm in which a director of the Company is a partner. As at March 31, 2008, \$25,258 was included in accounts payable and accrued liabilities.
- c) Incurred management fees of \$60,170 and vehicle rental expenses of \$1,768, related to deferred exploration costs, with a company controlled by a director.

12. Commitments

During the period, the Company amended an existing agreement which called 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. 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 cash, or at the Company's option and subject to regulatory approval, common shares of the Company.

During the period, 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. There were no charges under this contract during the period ended March 31, 2008.

During the period, 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 period, the Company entered into an agreement for the provision of investor relation services in exchange for a monthly fee of \$4,000 payable monthly, for a term of six months. In accordance with this agreement, 100,000 stock options were issued, 50,000 of which vest immediately, with the remaining 50,000 options vesting September 1, 2008.

13. Subsequent Events

Subsequent to the period ended March 31, 2008, the 1,994,642 warrants described in note 9a) expired unexercised.

Macusani Yellowcake Inc.

Notes to the Consolidated Financial Statements

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14. 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.