

XEMPLAR ENERGY CORP.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
September 30, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Gerard A. Pallotta"

Director and Chief Financial Officer

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XEMPLAR ENERGY CORP.
CONSOLIDATED INTERIM BALANCE SHEET
(unaudited)

	September 30, 2009 (unaudited)	December 31, 2008 (audited)	September 30, 2008 (unaudited)
ASSETS			
Current			
Cash and cash equivalents	\$ 10,821,385	\$ 15,587,306	\$ 18,017,917
Accounts receivable (Note 5)	265,209	768,559	947,597
Prepaid expenses and deposits	15,380	13,025	190,272
	11,101,974	16,368,890	19,155,786
Other receivables	-	270,000	-
Long term investments (Note 6)	268,000	90,000	140,000
Property, plant and equipment (Note 7)	4,698,542	5,215,585	4,986,625
Mineral properties (Note 8)	20,910,819	16,421,590	12,932,829
	\$ 36,979,335	\$ 38,366,065	\$ 37,215,240
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accruals	\$ 35,354	\$ 236,554	\$ 450,964
Shareholders' equity			
Share capital (Note 9)	45,040,060	45,040,060	45,023,392
Contributed surplus (Note 9)	24,740,755	23,425,206	23,425,206
(Deficit)	(32,424,834)	(30,015,755)	(31,654,322)
Accumulated other comprehensive (loss) (Note 2)	(412,000)	(320,000)	(30,000)
	36,943,981	38,129,511	36,764,276
	\$ 36,979,335	\$ 38,366,065	\$ 37,215,240

RELATED PARTY TRANSACTIONS (Note 10)

Approved:

"Gerard A. Pallotta" Director

"Simon Tam" Director

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE (LOSS)
(unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Income				
Investment	\$ 17,499	\$ 157,250	\$ 132,543	\$ 404,719
Administrative expenses				
Amortization	-	254,915	-	587,229
Bank charges and interest	1,543	1,715	4,033	5,442
Consulting	129,621	142,869	322,265	313,472
Marketing and promotion	30,894	60,046	218,035	290,363
Office and general	(9,072)	295,163	24,972	360,957
Printing and reproduction	1,352	2,417	9,701	6,227
Professional fees	44,255	41,595	110,067	135,899
Rent	31,903	26,632	99,385	125,915
Repairs and maintenance	8,057	139,708	11,630	147,811
Shareholder relations	2,695	2,135	14,604	5,744
Stock-based compensation (Note 11)	-	-	1,294,865	865,680
Telephone and utilities	16,524	23,245	35,423	81,055
Transfer agent and exchange fees	10,937	24,254	17,880	80,904
Travel	79,199	75,776	184,156	428,321
Wages and benefits	86,639	-	194,606	36,588
	434,547	1,090,470	2,541,622	3,471,607
(Loss) before taxes	(417,048)	(933,220)	(2,409,079)	(3,066,888)
Income taxes (Note 12)	-	-	-	-
Net (loss)	(417,048)	(933,220)	(2,409,079)	(3,066,888)
Other comprehensive income	(92,000)	-	(92,000)	-
Comprehensive (loss) for the period	(509,048)	(933,220)	\$(2,501,079)	\$(3,066,888)
Basic and fully diluted (loss) per share	\$(0.00)	\$(0.01)	\$(0.02)	\$(0.03)
Weighted average number of common shares outstanding	119,572,469	117,887,385	119,572,469	117,887,385

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED INTERIM STATEMENT OF (DEFICIT)
(unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
(Deficit), beginning of year	\$(32,007,786)	\$(30,721,102)	\$(30,015,755)	\$(28,587,434)
Net (loss) for the period	(417,048)	(933,220)	(2,409,079)	(3,066,888)
(Deficit), end of period	\$(32,424,834)	\$(31,654,322)	\$(32,424,834)	\$(31,654,322)

XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE (LOSS)
(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Other comprehensive (loss), beginning of period (Note 2)	\$(320,000)	\$ -	\$(320,000)	\$ -
Unrealized (loss) on available-for-sale financial assets	(92,000)	(30,000)	(92,000)	(30,000)
Other comprehensive (loss), end of period	\$(412,000)	\$(30,000)	\$(412,000)	\$(30,000)

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
CASH FLOWS FROM:				
Operating activities				
Cash paid to suppliers	\$(400,009)	\$(1,112,631)	\$(926,278)	\$(2,166,453)
Interest income	17,499	287,184	132,542	404,719
	(382,510)	(825,447)	(793,736)	(1,761,734)
Investing activities				
Purchase of property, plant and equipment	(733,131)	(808,009)	(32,132)	(3,755,903)
Mineral properties	(877,228)	(1,743,870)	(3,940,054)	(4,953,156)
	(1,610,359)	(2,551,879)	(3,972,186)	(8,709,059)
Financing activities				
Issuance of shares for cash, net of costs	-	-	-	18,735,821
Sale of mining rights	-	250,000	-	250,000
	-	250,000	-	18,985,821
(Decrease) in cash	(1,992,869)	(3,127,326)	(4,765,922)	8,515,028
Cash at beginning of period	12,814,253	21,145,243	15,587,306	9,502,889
Cash at end of period	\$ 10,821,384	\$ 18,017,917	\$ 10,821,384	\$ 18,017,917

See accompanying Notes.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

September 30	2009	2008
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1 Nature of business

Xemplar Energy Corp., formerly Consolidated Petroquin Resources Limited (the “Company”), was incorporated on January 12, 1979, under the Company Act of British Columbia. The Company changed its name on July 11, 2005 and changed its business focus from development of oil and gas properties to acquiring, exploring and developing mineral properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. As of September 30, 2009 the Company had a working capital of \$11,066,619 (2008 - \$18,704,822).

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with the industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2 Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiary Namura Mineral Resources (Proprietary) Limited (“Namura”) and Canadian Uranium Corp. (“CUC”). Results from operations of the subsidiaries are included in these consolidated financial statements from the date of acquisition. All significant inter-company transactions and balances have been eliminated.

Cash and cash equivalents

Cash and cash equivalents represent cash on deposit and term deposits having terms to maturity of 180 days or less when acquired.

Mineral properties and deferred exploration and development expenditures

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment to value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

XEMPLAR ENERGY CORP.
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2 Significant accounting policies (continued)

The recorded cost of mineral exploration interests is based on cash paid, the value of share consideration and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production or the proceeds from disposal.

Management evaluates each mineral interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded. The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment to value. These costs will be amortized on the basis of units produced in relation to the estimated reserves available on the related property following commencement of production or written-off to operations in the period related properties are abandoned.

The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date, and do not necessarily represent present or future values which are entirely dependent upon the economic recovery from production or from disposal.

Asset retirement obligation

The Company has adopted the standard for "asset retirement obligation" as set out in the CICA Handbook section 3110. The standard requires the recognition and measurement of liabilities related to the legal obligation to abandon and reclaim property, plant and equipment upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in the fair value. The asset retirement cost is capitalized as part of property, plant and equipment and depleted into earnings over time. The adoption of this standard had no impact on the financial statements.

At September 30, 2009, management has determined that there are no material asset retirement obligations to the Company.

Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization is calculated using the straight line method over the following estimated useful lives:

Computer equipment	3 years
Drilling equipment	5 years
Equipment	5 years
Furniture and fixtures	10 years
Motor vehicle	5 years

The above implied straight-line depreciation rates are reduced by 50% in the year of acquisition.

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2 Significant accounting policies (continued)

Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at their prevailing market rate.

Foreign currency translation

Foreign operations are integrated with the parent company and, consequently, the financial statements of foreign subsidiaries are translated into Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities and other items are translated at historical rates. Revenue and expenses are translated at average rates of exchange prevailing during the period. Exchange gains or losses arising from these translations are included in income for the period.

Use of estimates

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses recognized during the reporting period. To these financial statements, the most significant application of estimates is in the assessment of the underlying value of mining properties and the useful lives of property, plant and equipment owned by the Company. Actual results and values could differ from those estimates and these differences could have a material impact on the financial statements.

Income taxes

Income taxes are accounted for using the future income tax method. Under this method, income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

Stock-based compensation plans

The Company accounts for stock-based compensation using the fair value method for all direct awards of stocks. The fair value of the options granted are estimated at the date of grant using the Black-Scholes Option Pricing model with assumptions for risk-free interest rates, dividend yields, and volatility factors of the expected life of the options. The fair value of direct awards of stock is determined by the quoted price of the Company's stock.

Share issue costs

Commissions paid to underwriters on the issue of the Company's shares are charged directly to share capital.

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September 30	2009	2008
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2 Significant accounting policies (continued)

Financial instruments

The Company has designated its cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; accounts receivable and advances to contractors as loans and receivable; and accounts payable and accrued liabilities as other liabilities.

Fair value - The carrying values of cash and cash equivalents, accounts receivable, advances to contractors, and accounts payable and accrued liabilities equal their fair values.

Credit risk – The Company is exposed to credit risk with respect to its cash and other accounts receivable. Cash and cash equivalents have been placed with a major Canadian financial institution. Other amounts receivable are primarily amounts owing from government agencies and related parties.

Interest rate risk – Interest rate risk consists of two components:

- I. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- II. To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Currency risk – The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Canadian dollars. As at September 30, 2009 the Company had investments in mineral properties through a fully integrated subsidiary that requires the Company to fund exploration costs in Namibian currency.

The Company's ability to continue to fund its subsidiary will be affected by foreign currency rate fluctuations. The Company does not utilize derivatives or other techniques to manage foreign currency risk.

Non-monetary consideration

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date of the agreement to issue shares as determined by the management.

Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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September 30	2009	2008
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2 Significant accounting policies (continued)

Comprehensive income

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, and CICA Handbook Section 3865, Hedges. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated as either a “cash flow hedge,” when the hedged item is a future cash flow, or a “fair value hedge,” when the hedge item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair market value in the consolidated balance sheet, and unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

As at January 1, 2007, there was no effect on the Company’s Balance sheet from adopting these standards.

Capital management

For interim and annual periods beginning January 1, 2008, the Company has adopted the CICA Handbook Section 1535, “Capital Disclosures”, which requires disclosure of the Company’s objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance.

The Company currently has no source of revenue and its principal source of capital is from the issuance of common shares. The Company’s capital management objective is to raise sufficient equity funds to maintain its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk. To meet the objectives, management monitors the Company’s ongoing capital requirements against restricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. During the quarter ended September 30, 2009, the Company is not subject to externally imposed capital requirements. Management is of the opinion that the amounts and changes in the Company’s capital is readily determinable in these financial statements.

Goodwill and Intangible Assets

The Canadian Accounting Standards Board (“AcSB”) issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard has had no impact on the Company’s financial results.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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September 30	2009	2008
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2 Significant accounting policies (continued)

Future accounting changes:

International Financial Reporting Standards (“IFRS”)

In 2006, the AcSB published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Long-term investments

Long-term investments to be held by the Company are continually reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In the event that facts and circumstances indicate that the carrying value of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, impairment will be recognized.

3 Business combination

On May 26, 2006, the Company acquired all the issued and outstanding shares of Namura, a company based in the Republic of Namibia. The Company paid \$600,000 in cash and issued 6,000,000 shares of the Company. Namura is the beneficial holder of three Exclusive Reconnaissance Licenses covering uranium exploration properties in Namibia (note 9).

The business combination was accounted for using the purchase method and the results from the operations of Namura included in these statements are from May 26, 2006. The following is a summary of the consideration paid and fair value of assets acquired and liabilities assumed by the Company:

Consideration paid:		
Cash		\$ 600,000
Common shares		2,610,000
Transaction cost		95,063
		\$ 3,305,063
Assets acquired:		
Cash		\$ 29,890
Mineral property		3,341,173
		3,371,063
Liabilities assumed:		
Mineral property		66,000
		\$ 3,305,063

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4 Dissolution of subsidiary

On January 1, 2007, the Company purchased all the outstanding shares of Canadian Uranium Corp. which had been incorporated on December 15, 2006. CUC was a shell company at the time of purchase and the purchase price paid was the cost of incorporation. The Company intends to transfer some of its mining property rights to CUC for the purpose of forming joint venture exploration partnerships with other companies (see note 9).

In the last quarter of 2008, the Company decided not to pursue any joint venture agreement through this subsidiary and on November 12, 2008 officially dissolved CUC. CUC had no assets or liabilities.

5 Accounts receivable	2009	2008
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Accrued interest	\$ 26,980	\$ 278,323
GST and VAT receivables	238,229	140,745
Other	-	528,529

	\$ 265,209	\$ 947,597
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6 Long term investment	2009	2008
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Virginia Energy Resources Inc. (800,000 common shares)	\$ 268,000	\$ 140,000
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As part of a mineral property deal with Virginia Energy Resources Inc. ("Virginia") (formerly Santoy Resources Limited), the Company received 800,000 free trading shares of Virginia, a company listed and trading on the TSX Venture Exchange in Canada. The original amount was based on the share price of \$0.85 prevailing on the date of agreement. The amount receivable is adjusted based on the share prices on a quarterly basis and any gain or loss is recognized as other comprehensive gain or loss. On September 30, 2009 the share price was \$0.335 per share. (See note 8 Otish Basin Uranium Property).

7 Property, plant and equipment	2009	2008
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	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 66,703	\$ 34,410	\$ 32,293	\$ 38,199
Drilling equipment	3,905,697	1,192,433	2,713,264	3,358,019
Equipment	965,183	188,329	776,854	595,996
Furniture and fixtures	57,434	5,322	52,112	42,391
Motor vehicle	1,451,884	327,865	1,124,019	952,020

	\$ 6,446,901	\$ 1,748,359	\$ 4,698,542	\$ 4,986,625
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XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

September 30				2009	2008
8 Mineral properties					
	Acquisition Costs	Exploration and Development Expenditures	Disposal and Abandonment	2009 Total	2008 Total
Canada:					
Corhill Property (see details below)	\$ 319,657	\$ 248,728	\$ 100,000	\$ 468,385	\$ 468,385
Otish Basin Property (see details next page)	1,204,397	599,665	930,000	874,062	1,396,709
Republic of Namibia:					
Namura Uranium Property (see details next page)	3,341,172	16,227,200	-	19,568,372	11,067,735
	\$ 4,865,226	\$ 17,075,593	\$ 1,030,000	\$20,910,819	\$ 12,932,829

Corhill Property

By agreement dated July 7, 2005, the Company acquired a 100% interest in the Corhill Property entailing approximately 30,628 acres located 312 miles northwest of Yellowknife and 90 miles southwest of Kugluktuk in the Northwest Territories. Upon commencement of commercial production, the vendor will be entitled to a net smelter royalty of 2% on all minerals. The purchaser can buy down to a 1% net smelter royalty at a cost of \$1,000,000. The purchase price of \$194,657 was paid by issuance of 500,000 shares of the Company and payment of \$74,657 cash. Included in the purchase price is \$9,657 paid for legal fees directly attributed to the purchase of the property.

On July 17, 2006 the Company entered into an option agreement with Garuda Ventures Canada Inc. ("Garuda"), whereby Garuda can earn a 70% interest in the Company's Corhill Property located in central Quebec by making cash payment of \$50,000, and issuing 2,000,000 shares of Garuda Capital Corp. (parent company of Garuda) which is listed on the Nasdaq Over the Counter Bulletin Board. The shares received have a hold period of two years and hence will be recorded in the books when the hold period expires. Garuda also has to incur \$1,500,000 of exploration expenditure on the property in different tranches over the three year period. During the year ended December 31, 2006, Garuda paid \$100,000 in cash towards the exploration costs incurred by the Company.

In June 2007, due to failure of Garuda Capital Corp. to meet the expenditure obligations, the Company and Garuda Capital Corp. signed another agreement to transfer the Corhill property rights to CUC. This agreement will supersede the earlier agreement with Garuda Capital Corp.

On September 25, 2008 the Company signed a rescission agreement with Garuda Capital Corp. to void the initial agreement. The Company paid \$175,000 in cash to Garuda and returned the 2,000,000 shares of Garuda Capital Corp. received originally.

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8 Mineral properties (continued)		
Otish Basin Uranium Property		
By agreement dated September 28, 2005, the Company acquired a 100% interest in the Otish Basin Uranium Property entailing 1,159 claims and covering approximately 14,663 acres located 310 kilometres northeast of the city of Chibougamau in central Quebec. Upon commencement of commercial production, the Vendor will be entitled to a net smelter royalty of 2% on all minerals. The Company can buy down to a 1% net smelter royalty at a cost of \$2,000,000. The purchase price of \$975,000 is payable as follows:		
Cash	\$	300,000
Shares – 3,000,000 @ \$0.20 each		600,000
Finders fee in cash		75,000
Total acquisition cost	\$	975,000

On July 25, 2008, the Company entered into an option agreement with Virginia, whereby Virginia can earn 60% interest in the Company's Otish Basin Uranium Property in exchange for:

- \$250,000 in cash;
- 200,000 free trading shares of Virginia on closing;
- 600,000 free trading shares of Virginia on the first anniversary of the agreement;
- \$500,000 work commitment prior to January 31, 2009;
- \$1,000,000 work commitment during the second year of the agreement.

Virginia has the option to acquire 100% interest by delivering 1,200,000 free trading shares of Virginia to the Company in addition to the above amounts. The Company will retain a 3% net smelter royalty which can be reduced to 1.5% at a cost of \$1,500,000.

Namura Uranium Property

On March 22, 2006, the Company entered into a purchase agreement to acquire 100% of the outstanding shares of Namura Mineral Resources (Proprietary) Limited ("Namura"). Namura is a privately owned company incorporated in the Republic of Namibia. Namura is the beneficial holder of two Exclusive Reconnaissance Licenses and six Exclusive Prospective Licenses ("EPL's") covering uranium exploration properties in Namibia. The purchase price is comprised of a payment of \$600,000 in cash and the issuance of 6,000,000 common shares of the Company. Each of the properties is subject to a 3% net smelter return royalty. The Company has the right to reduce the royalty to 1.5% on each property by paying \$3,000,000 per property to the vendors.

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9 Share capital

a) Authorized:

Unlimited common shares without par value

b) Issued and outstanding:

	Shares	2009 Amount	Shares	2008 Amount
Balance, beginning of period	119,572,469	\$ 45,040,060	112,357,469	\$ 25,919,916
Issued for cash				
Private placement (Net of issue cost)	-	-	6,555,000	18,157,821
Exercise of warrants	-	-	400,000	120,000
Exercise of options	-	-	260,000	458,000
Transfer from contributed surplus on exercise of options	-	-	-	367,655
Balance, end of period	119,572,469	\$ 45,040,060	119,572,469	\$ 45,023,392

c) Private placement

On March 20, 2008, the Company issued 6,555,000 units through Canaccord Capital Corporation (the "Underwriters") a private placement at \$3.00 per unit for a total of \$19,665,000, where each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one further common share at \$4.00 within two years from the date of issuance. A total of \$1,507,178 was paid as Underwriter's fees. The Company applied the residual approach and allocated the net proceeds of \$18,157,822 to the common shares and \$Nil to the warrants. The Underwriters were also issued 458,850 warrants to purchase the same number of shares at a price of \$3.75 per share.

All shares issued through private placement are subject to a hold period of four months from the day of issue.

d) Warrants

	Number of Warrants	2009 Weighted Average Exercise Price	Number of Warrants	2008 Weighted Average Exercise Price
Balance, beginning of year	3,736,350	\$ 3.97	400,000	\$ 0.30
Warrants granted	-	-	3,736,350	3.97
Warrants exercised	-	-	(400,000)	0.30
Warrants expired	-	-	-	-
Outstanding and exercisable at end of period	3,736,350	\$ 3.97	3,736,350	\$ 3.97

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September 30	2009	2008
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9 Share capital (continued)

d) Warrants (continued)

As of September 30, 2009, the following share purchase warrants of the Company were outstanding:

	Exercise Price	Number of Warrants	Expiry Date
	\$ 4.00	3,277,500	March 20, 2010
	\$ 3.75	458,850	March 20, 2010

e) Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the current issued and outstanding common shares. Options granted under the Plan may have a maximum term of (5) five years. The exercise price of options granted under the Plan will not be less than the discounted market price as calculated and defined in accordance with the policies of the TSX Venture Exchange. Stock options granted under the Plan are subject to a (4) four month hold period from the date the options are granted in addition to any other restrictions which may be imposed at the discretion of the Directors.

	2009		2008
	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding and exercisable, at beginning of period	6,340,000	\$ 0.20 - \$6.50	10,650,000
Options granted	5,650,000	1.15	-
Options expired/cancelled	(450,000)	1.15	-
Options exercised	-	-	(260,000)
Outstanding and exercisable, at end of period	11,540,000	\$ 0.20 - \$6.50	10,390,000

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September 30	2009	2008
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9 Share capital (continued)

e) Options (continued)

The following summarizes the stock options outstanding and exercisable at September 30, 2009:

	Exercise Price	Outstanding at September 30, 2009	Exercisable at September 30, 2009	Expiry Date
	\$ 0.20	100,000	100,000	June 30, 2010
	\$ 1.15	200,000	40,000	August 31, 2010
	\$ 0.30	500,000	500,000	September 30, 2010
	\$ 0.50	1,000,000	1,000,000	June 2, 2011
	\$ 0.58	400,000	400,000	December 18, 2011
	\$ 0.80	40,000	40,000	January 9, 2012
	\$ 1.90	500,000	500,000	May 9, 2012
	\$ 1.80	450,000	450,000	September 1, 2012
	\$ 1.15	350,000	350,000	November 6, 2012
	\$ 1.15	1,500,000	1,500,000	December 18, 2012
	\$ 0.95	1,500,000	1,500,000	June 30, 2013
	\$ 1.15	5,000,000	5,000,000	March 02, 2014
		11,540,000	11,380,000	

f) Contributed surplus

	2009	2008
Balance, beginning of period	\$ 23,425,206	\$ 22,927,181
Stock-based compensation expense	1,294,865	865,680
Stock-based compensation expense - Non-employees	20,684	-
Options exercised	-	(367,655)
Balance, end of period	\$ 24,740,755	\$ 23,425,206

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September 30	2009	2008
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10 Related party transactions

The following amounts were paid or accrued to directors or companies controlled by directors or officers of the Company for services provided during the nine month period September 30, 2009 and 2008:

- a) Professional fees of \$22,500 (2008 - \$15,000) incurred for accounting services provided by a company owned by one of the directors of the Company.
- b) Consulting fees of \$317,750 (2008 - \$171,000) were paid to companies owned by various directors of the Company.
- c) Rental fees of \$13,500 (2008 - \$6,500) were paid to a company owned by one of the directors of the Company.
- d) Drilling service fees of \$180,000 (2008 - \$180,000) were paid to directors and to companies owned by directors.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

11 Stock-based compensation

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire up to 10% of the issued and outstanding common shares. The fair value of each option granted is estimated on the grant date using the Black-Scholes Option-Pricing model with the following assumptions:

	Granted March 2, 2009	Re-priced May 27, 2009	Re-priced May 27, 2009
Number of options	5,000,000	1,500,000	350,000
Dividend rate	0%	0%	0%
Weighted average risk-free interest rate	1.73%	1.61%	1.61%
Expected life	5 Years	3.56 Years	3.45 Years
Expected volatility	134%	104%	104%
Weighted average strike price	\$1.15	\$1.15	\$1.15
Weighted average spot price	\$0.29	\$0.40	\$0.40
Expiry date	March 3, 2014	December 18, 2012	November 6, 2012
Fair value per option	\$0.22	\$0.20	\$0.08
Stock-based compensation	\$1,079,200	\$174,855	\$40,810

During the period ended September 30, 2009, the Company issued Nil (2008 - 260,000) shares for options exercised.

During the period ended September 30, 2009, the Company granted 5,000,000 (2008 - 1,500,000) options. The company also re-priced 1,500,000 options from \$6.50 exercise price to \$1.15. Using the above assumptions, the stock-based compensation was \$1,294,865 (2008 - \$Nil), which has been recorded in the statement of comprehensive (loss), and credited to contributed surplus.

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September 30	2009	2008
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11 Stock-based compensation (continued)

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 single measure of the fair value of the Company's stock options.

12 Income taxes	2009	2008
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A reconciliation of the statutory income tax rate to the effective rate for the Company is as follows:

Statutory income tax rate	(36%)	(36%)
Tax losses not benefited	36%	36%

Effective tax rate	-	-
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The Company has approximately \$3,159,335 of non-capital losses available for income tax purposes to reduce taxable income of future years. These non-capital losses will expire commencing in 2009 through to 2028.

In addition, the Company has available mineral resource related expenditure pools totalling approximately \$2,307,100 which may be deducted against future taxable income on a discretionary basis.

Future income tax benefits which may arise as a result of these losses have not been recognized in these financial statements as their realization is uncertain.