PITCHSTONE EXPLORATION LTD.

An Exploration Stage Company

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2008 and 2007

D E V I S S E R G R A Y L L P
CHARTERED ACCOUNTANTS

401 - 905 West Pender Street
Vancouver, BC Canada
V6C 1L6

Tel: (604) 687-5447
Fax: (604) 687-6737

AUDITORS' REPORT

To the Shareholders of Pitchstone Exploration Ltd. ("the Company")

We have audited the consolidated balance sheets of Pitchstone Exploration Ltd. as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consolidated financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 30, 2009

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Statement 1

Consolidated Balance Sheets

As at December 31

			2008		2007
ASSETS					
Current					
Cash and cash equivalents		**$**	**7,956,118**	$	11,681,184
Accounts receivable			**96,911**		265,170
Prepaid expenses			**21,893**		27,284
Due from JCU			**-**		11,860
Due from Uranium One			**-**		15,376
Total Current Assets			**8,074,922**		12,000,874
Expenditures on mineral properties	Note 3		**16,338,309**		12,173,230
Equipment	Note 4		**45,037**		48,595
Total Assets		**$**	**24,458,268**	$	24,222,699
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		**$**	**272,641**	$	129,500
Due to related parties	Note 6		**7,991**		11,137
Due to JCU			**10,244**		-
Due to Triex joint venture	Note 3b		**-**		456,737
Total Current Liabilities			**290,876**		597,374
Future income tax liability	Note 8		**2,691,392**		1,736,608
Deferred gain on Uranium One Joint Venture	Note 5		**1,900,000**		1,950,000
Total Liabilities			**4,882,268**		4,283,982
Shareholders' Equity					
Share capital	Note 7	**$**	**16,453,191**	$	15,959,868
Contributed surplus	Note 7		**3,447,315**		1,871,657
Retained earnings (deficit) - Statement 2			**(324,506)**		2,107,192
Total Shareholders' Equity			**19,576,000**		19,938,717
Total Liabilities and Shareholders' Equity		**$**	**24,458,268**	$	24,222,699

Continuance of Operations — Note 1

Subsequent Events — Note 13

ON BEHALF OF THE BOARD:

"Edward A.G. Trueman" , Director

"Paul Geyer" , Director

- See Accompanying Notes -

Pitchstone Exploration Ltd. Statement 2

(An Exploration Stage Company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the Years Ended December 31

			2008		2007
Revenues					
Option proceeds received in excess of resource properties costs		**$**	**-**	$	87,500
Overhead recoveries			**195,554**		182,501
Interest income			**383,090**		396,821
Equipment rental revenue			**26,740**		10,325
Gain on contributed joint venture assets	Note 5		**50,000**		2,050,000
Gain on sale of equipment			**-**		24,132
			655,384		2,751,279
Administrative expenses					
Accounting and audit	Note 6a		**93,400**		108,250
Amortization			**20,746**		58,231
Directors' fees	Note 6b		**18,000**		14,476
Filing fees			**19,164**		18,557
Insurance			**44,731**		39,958
Interest and bank charges			**24,164**		49,845
Investor relations			**65,538**		56,970
Legal fees			**34,294**		28,177
Meals and entertainment			**8,184**		13,157
Office expenses			**55,442**		64,906
Property investigation			**-**		4,589
Salaries and wages			**501,153**		477,392
Stock-based compensation	Note 7		**1,575,658**		1,561,047
Transfer agent fees			**8,381**		12,259
Travel			**27,491**		40,357
			2,496,346		2,548,171
Income (loss) before other item			**(1,840,962)**		203,108
Mineral property write-downs			**(561,076)**		-
Income (loss) before taxes			**(2,402,038)**		203,108
Income tax recovery (expense)			**(29,660)**		401,755
Net income (loss) and comprehensive income (loss) for the year			**(2,431,698)**		604,863
Retained earnings – Beginning of the year			**2,107,192**		1,502,329
Retained earnings (deficit) – End of the year		**$**	**(324,506)**	$	2,107,192
Earning (loss) per share – Basic			**($0.08)**		$0.02
Earning (loss) per share - Fully diluted			**($0.08)**		$0.02
Weighted average number of shares outstanding – Basic			**31,470,023**		29,277,599
Weighted average number of shares outstanding – Fully diluted			**32,141,296**		30,268,475

\- See Accompanying Notes -

Pitchstone Exploration Ltd. Statement 3

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended December 31

		2008		2007
Cash Flows from Operating Activities				
Net income (loss) for the year	**$**	**(2,431,698)**	$	604,863
Items not affected by cash				
Amortization		**20,746**		58,231
Gain on sale of exploration equipments		**-**		(24,132)
Future income tax expenses		**29,660**		(398,942)
Option proceeds received		**-**		(87,500)
Mineral property write-downs		**561,076**		-
Stock-based compensation		**1,575,658**		1,561,047
Gain on contributed JV assets		**(50,000)**		(2,050,000)
		(294,558)		(336,433)
Changes in non-cash working capital items				
Accounts receivable		**168,259**		(120,192)
Prepaid expenses		**5,391**		34,778
Accounts payable and accrued liabilities		**(72,911)**		57,781
Income taxes receivable/payable		**-**		190,179
Due to/from related parties		**(3,146)**		(13,190)
Due to/from joint venture partners		**(419,257)**		(119,300)
Net Cash Provided by (Used In) Operating Activities		**(616,222)**		(306,377)
Cash Flows from Investing Activities				
Resource properties		**(4,510,103)**		(5,270,172)
Purchase of equipment		**(17,188)**		(29,308)
Net Cash Provided by (Used In) Investing Activities		**(4,527,291)**		(5,299,480)
Cash Flows from Financing Activities				
Options proceeds received		**-**		87,500
Cash received for shares issued		**1,500,600**		6,674,270
Share issue costs		**(82,153)**		(319,566)
Net Cash Provided by (Used In) Financing Activities		**1,418,447**		6,442,204
Net Increase (Decrease) in Cash and Cash Equivalents		**(3,725,066)**		836,347
Cash and Cash Equivalents – Beginning of the year		**11,681,184**		10,844,837
Cash and Cash Equivalents – End of the year	**$**	**7,956,118**	$	11,681,184
Cash and Cash Equivalents comprised of:				
Cash	**$**	**110,261**	$	706,346
Guaranteed Investment Certificates (GIC)	**$**	**7,845,857**	$	10,974,838
Supplementary Information				
Shares issued for property acquisition	**$**	**-**	$	58,500
Interest income received	**$**	**391,775**	$	364,813

- See Accompanying Notes -

1. Nature and Continuance of Operations

The Company was incorporated under the British Columbia Company Act on April 24, 2003. The Company is an exploration stage company engaged principally in the acquisition and exploration of mineral properties. The recovery of the Company's investment in its mineral properties is dependent upon the discovery, development and sale of mineral products and the ability to raise sufficient capital to finance this activity. The ultimate outcome of this activity cannot presently be determined because it is contingent on future matters.

2. Significant Accounting Policies

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company, a 51.73% interest in the joint venture with Uranium One Inc. (“Uranium One”), a 50% interest in the joint venture with Triex Minerals Corporation (“Triex”), and a 38.8% interest in a joint venture with JCU (Canada) Exploration Company, Limited. (“JCU”) and Uranium One.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

c) Mineral Properties and Deferred Exploration Expenditures

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain Mineral Reserves.

Mineral exploration costs are capitalized on an individual project basis until such time as a Mineral Reserve is defined or the project is abandoned. Costs for a producing deposit are amortized on a unit-of-production method based on the estimated life of the Mineral Reserves, while costs for the projects abandoned are written-off.

The recoverability of the amount capitalized for the undeveloped mineral properties is dependent upon the determination of Mineral Reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its mineral properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties may involve inherent risks due to the difficulties of determining the validity of claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing.

The Company conducts certain of its mineral exploration activities through joint ventures and accounts for these activities by the proportionate consolidation method under which the Company’s proportionate share of the joint ventures assets and liabilities are included in the Company’s account.

2. Significant Accounting Policies - *Continued*

d) **Cash and Cash Equivalents**

Cash and cash equivalents are highly liquid investments, such as guaranteed investment certificates with major financial institutions, having a maturity of 12 months or less at acquisition, that are readily convertible to contracted amounts of cash.

e) **Environmental Expenditures and Asset Retirement Obligations**

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future reclamation and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

f) **Amortization**

The Company provides for amortization on its fixed assets on a declining balance basis (one-half of the rate is taken in the year of acquisition).

Following are the amortization rates:

Computer equipment	30%
Office furniture	20%
Exploration equipment	30%
Computer software	100%

g) **Income Taxes**

The Company accounts for the future tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. The Company has taken a valuation allowance against all potential tax assets.

h) **Share Capital**

i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

2. Significant Accounting Policies - *Continued*

i) Flow-through Shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When exploration expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced. Previously unrecognized tax assets may then offset this liability, which amount would then be included in income.

j) Stock-based Compensation

The Company has a stock option plan as disclosed in Note 7. The Company has adopted the fair value method for stock-based compensation granted to employees, non-employees and for all direct awards of stock. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

k) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

l) New Accounting Policies

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening balances.

2. Significant Accounting Policies - *Continued*

l) New Accounting Policies - *Continued*

Under Section 3855, financial instruments must be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable and income taxes receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, due to/from related parties and joint venture partners are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended December 31, 2008.

The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

m) Changes in accounting policies

On January 1, 2008, the Company adopted the following standards of the CICA Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

(a) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

(b) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 10).

(c) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 10).

2. Significant Accounting Policies - *Continued*

m) **Changes in accounting policies** - *Continued*

(d) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 11). Under this standard, the Company will be required to disclose the following:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

n) **International Financial Reporting Standards**

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities (PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During fiscal year 2009, the Company will continue to evaluate the impact of IFRS on the Company and develop and put in place a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur in late 2009 and 2010, in anticipation of the preparation of the April 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.

3. Expenditures on Mineral Properties

	Athabasca Basin JV Properties, Saskatchewan (Note 3a)	Hornby Bay Basin JV Properties, Nunavut/ Northwest Territories (Note 3b)	100% Owned Properties, Saskatchewan (Note 3c)	Gabon Optioned Properties Africa (Note 3d)	Namibia Optioned Properties Africa (Note 3e)	Total
Balance at December 31, 2006	$ 239,790	$ 2,025,696	$ 566,041	$ 13,031	$ -	$ 2,844,558
Aircraft charter	272,110	-	293,451	-	-	565,561
Camp and general	482,265	27,905	212,306	4,250	358	727,084
Drilling	961,767	824,686	617,243	-	-	2,403,696
Geological	84,630	(111,352)	30,262	72,595	157,304	233,439
Geochemical	-	-	-	-	16,343	16,343
Geophysical	103,763	23,400	29,483	151,877	126,671	435,194
Linecutting and chaining	79,449	-	31,524	-	-	110,973
Mineral claims expenses	526	195,446	59,353	3,254	88,833	347,412
Overhead	-	100,977	-	-	-	100,977
Sampling and analysis	35,212	312,830	20,743	-	-	368,785
Travel	26,808	3,351	12,475	21,332	37,804	101,770
Recovery from JV partner	(79,110)	-	-	-	-	(79,110)
Government assistance	-	-	(3,452)	-	-	(3,452)
Deemed value in joint venture	4,000,000	-	-	-	-	4,000,000
Total expenditures for the year	5,967,420	1,377,243	1,303,388	253,308	427,313	9,328,672
Balance at December 31, 2007	$ 6,207,210	$ 3,402,939	$ 1,869,429	$ 266,339	$ 427,313	$ 12,173,230
Aircraft charter	266,164	-	61,475	-	-	327,639
Camp and general	492,760	25,334	37,911	48,213	320	604,538
Drilling	1,134,169	1,379,884	119,135	-	97,479	2,730,667
Geological	154,614	31,346	26,153	99,489	223,549	535,151
Geochemical	5,693	-	11,124	98,020	41,937	156,774
Geophysical	4,632	39,879	207,256	115,058	-	366,825
Linecutting and chaining	1,877	-	-	-	-	1,877
Mineral claims expenses	990	15,894	488	-	25,000	42,372
Overhead	-	124,774	-	903	-	125,677
Sampling and analysis	67,440	(9,935)	8,321	264	3,069	69,159
Travel	30,582	3,041	5,162	32,770	1,653	73,208
Community relations	1,001	5,996	619	-	-	7,616
Recovery from JV partner	(315,348)	-	-	-	-	(315,348)
Total expenditures for the year	1,844,574	1,616,213	477,644	394,717	393,007	4,726,155
Mineral property write-downs	-	(377,044)	-	-	(184,032)	(561,076)
Balance at December 31, 2008	**$ 8,051,784**	**$ 4,642,108**	**$ 2,347,073**	**$ 661,056**	**$ 636,288**	**$ 16,338,309**

3. Expenditures on Mineral Properties – *Continued*

Cumulative totals as of December 31, 2008:	Athabasca Basin JV Properties, Saskatchewan (Note 3a)	Hornby Bay Basin JV Properties, Nunavut/ Northwest Territories (Note 3b)	100% Owned Properties, Saskatchewan (Note 3c)	Gabon Optioned Properties Africa (Note 3d)	Namibia Optioned Properties Africa (Note 3e)	Total
Aircraft charter	$ 612,173	$ -	$ 359,256	$ -	$ -	$ 971,429
Camp and general	1,023,844	58,814	254,415	52,464	678	1,390,215
Drilling	2,203,065	2,972,846	736,378	-	97,479	6,009,768
Geological	356,433	382,191	61,821	172,084	380,853	1,353,382
Geochemical	5,693	-	11,124	98,020	58,280	173,117
Geophysical	119,952	482,838	686,837	266,934	126,671	1,683,232
Linecutting and chaining	81,326	-	117,235	-	-	198,561
Mineral claims expenses	1,885	276,491	120,889	3,254	113,833	516,352
Overhead	-	391,799	-	903	-	392,702
Sampling and analysis	103,827	436,412	29,064	264	3,069	572,636
Travel	60,194	11,765	18,405	67,133	39,457	196,954
Community relations	1,001	-	-	-	-	1,001
Recovery from JV partner	(486,125)	5,996	619	-	-	(479,510)
Government assistance	(31,484)	-	(48,970)	-	-	(80,454)
Deemed value in joint venture	4,000,000	-	-	-	-	4,000,000
Total expenditures before write-downs	8,051,784	5,019,152	2,347,073	661,056	820,320	16,899,385
Mineral property write-downs	-	(377,044)	-	-	(184,032)	(561,076)
Balance at December 31, 2008	**$ 8,051,784**	**$ 4,642,108**	**$ 2,347,073**	**$ 661,056**	**$ 636,288**	**$ 16,338,309**

a. Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture

In January 2007, the Company and Uranium One, a TSX listed company, entered into a 50:50 joint venture to explore five Athabasca Basin properties. To exercise its 50% option and to earn a 50% interest, Uranium One made total cash payments of $350,000, issued an aggregate of 200,000 common shares and 300,000 share purchase warrants to the Company. In addition, Uranium One funded $4,000,000 of aggregate exploration expenditures on the five Athabasca Basin properties.

The Company recognized its 50% interest in the joint venture at a deemed value of $4,000,000, equivalent to the $4,000,000 spent by Uranium One (Note 5).

The Company is the operator of these five joint venture properties. Uranium One held 50% interest in the Darby, Waterfound, Moon Lake and Lynx Lake properties, and 37.5% in the Candle property. JCU owned the remaining 25% of the Candle property.

During the fourth quarter of 2008, Uranium One's participating interest was diluted when Uranium One stopped funding their share of exploration expenditures. As a result, the participating interests in Darby, Waterfound, Moon Lake, and the Lynx Lake properties for the Company and Uranium one are 51.73% and 48.27%, respectively. And participating interests in the Candle property for the Company, Uranium One, and JCU are 38.80%, 36.20%, and 25%, respectively.

3. Expenditures on Mineral Properties – *Continued*

a. Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture – *Continued*

As of December 31, 2008, the Company's share of exploration expenditures on these five properties total recorded $8,051,784 (2007: $6,207,210). This total includes the deemed value of the properties recovered on Uranium One's earn in to its share in the Joint Venture.

Athabasca Basin Properties

		December 31, 2008		December 31, 2007
50% interest in joint	**$**	**4,000,000**	$	4,000,000
Darby Property		**2,301,147**		1,600,568
Waterfound Property		**295,792**		277,365
Lynx Lake Property		**37,544**		35,565
Moon Lake Property		**292,988**		151
Candle Property		**1,155,797**		325,045
Unallocated assistance		**(31,484)**		(31,484)
	$	**8,051,784**	$	6,207,210

Darby Property
In 2003, the Company acquired from the CEO of the Company mineral claims totalling approximately 11,015 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan by issuing 1,166,657 (4,666,628 after stock split) common shares at a deemed pre-split price of $0.04 per share. In 2004 and 2005, the Company acquired additional 2,383 and 3,323 hectare claims in the same area by way of staking.

Candle Property
On April 3, 2004 the Company signed an option agreement with JCU in respect of the Candle property whereby the Company could acquire a 75% undivided interest in the property. The Candle property mineral claim totals approximately 2,595 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan and is contiguous with the Company's Darby property.

In March 2007, the Company and Uranium One jointly earned a 75% interest in the property by spending $1 million in exploration expenditures. The remaining 25% interest is held by JCU. After the dilution of Uranium One interest on October 19, 2008, the Company, Uranium One, and JCU are proceeding with 38.80%/36.20%/25% ownership in the joint venture, respectively.

Waterfound Property
In 2003, the Company acquired a mineral claim totalling approximately 1,694 hectares in the Athabasca Basin, Saskatchewan by way of staking. In April 2005, the Company staked an additional 2,430 hectares contiguous with the original claim. The property is located 55 kilometers north of the Company's Darby and Candle properties.

Lynx Lake Property
In 2004, the Company acquired a mineral claim totalling approximately 1,274 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 35 kilometers southwest of the Company's Darby and Candle properties.

Moon Lake Property
In 2003, the Company acquired a mineral claim totalling approximately 1,637 hectares in the Athabasca Basin, Saskatchewan by way of staking. In March 2004, the Company staked an additional 2,953 hectares contiguous with the original claim. The property is located 55 kilometers southwest of the Company's Darby and Candle properties.

3. Expenditures on Mineral Properties – *Continued*

b. Hornby Bay Basin Properties, Nunavut and Northwest Territories – Triex Joint Venture

On May 9, 2005, the Company entered into a 50:50 joint venture to explore and develop the Mountain Lake, Dismal Lake, and Leith properties, located in the Hornby Bay Basin of Nunavut and Northwest Territories, with Triex, a TSX Venture Exchange listed company, which holds the remaining 50% interest in the properties.

In April 2006, two claim blocks totalling 59,760 hectares were optioned by the Company and Triex – the Dismal Lake property and part of the Mountain Lake property. The Company and Triex have paid a total of $35,000 in cash to the property vendors, Ur-Energy Inc. ("URE") and Patrician Diamonds Inc. ("Patrician"), and in addition expenditures of $1,225,000 were required on the two properties by September 30, 2007. The earn-in requirements were met during 2007 and the Company and Triex have completed the purchase of these properties subject to a 5% net smelter return royalty retained by the property vendors. The Company and Triex have the right to purchase one half of the retained royalty for $5,000,000 for each property.

In July 2006, the Company and Triex acquired 100% of the Kendall River property from Aramis Ventures Inc. ("Aramis"). The purchase terms included a cash payment of $25,000 (paid) and completion of $50,000 (requirement met) of assessment work on the property. The vendor will retain a 5% net smelter return royalty of which the Company and Triex have the right to purchase half of the retained royalty for $2.5 million.

Triex is the operator of these properties. As of December 31, 2008 and 2007, the Company spent a total of $5,019,152 and $3,402,939, respectively, on the joint venture properties. As of December 31, 2008, the Company wrote down $377,044 of the mineral property costs as a result of the expiration of certain prospecting permits and claims.

Hornby Bay Basin Properties

		December 31, 2008		**December 31, 2007**
Mountain Lake Property	**$**	**1,930,808**	$	1,547,029
Mountain Lake – URE		**675,636**		410,511
West Dismal Property		**418,675**		305,874
Leith Property		**70,487**		70,487
Dismal Lake - Patrician		**510,075**		346,596
Dismal Lake - URE		**853,749**		582,207
Kendall River Property		**559,722**		140,235
		5,019,152		3,402,939
Mineral property write-downs		**(377,044)**		-
	$	**4,642,108**	$	3,402,939

Mountain Lake Property

In 2004, the Company acquired a 50% interest in the Mountain Lake uranium property located in the Hornby Bay Basin, Nunavut. The property is situated approximately 550 kilometers north of Yellowknife, 100 kilometers south of Kugluktuk (formerly Coppermine), Nunavut, and comprises 8 mineral claims totalling 6,647 hectares.

In 2006, the Company and Triex acquired from URE an additional 41 claims (38,544 hectares) contiguous with the original Mountain Lake property.

3. Expenditures on Mineral Properties – *Continued*

b. Hornby Bay Basin Properties, Nunavut and Northwest Territories – Triex Joint Venture – *Continued*

West Dismal Property

In 2005, Triex was granted seven prospecting permits comprising 105,097 hectares in the Northwest Territories and Nunavut for uranium exploration where Triex held these permits in a 50-50 joint venture with the Company. These permits were situated approximately 70 kilometers west of the Mountain Lake property, 570 kilometers north of Yellowknife, Northwest Territories and 150 kilometers southwest of Kugluktuk, Nunavut. These permits expired early in 2008.

In May 2005, Triex staked two strategic areas contiguous to the West Dismal permits, designated as the Sandy Creek claims (10,451 hectares) and Dease River claims (2,090 hectares). These claims are also jointly owned by Triex and the Company and comprise part of the West Dismal property.

In early 2008, as a result of the expiration of prospecting permits and lapse of some claims, a large portion of the West Dismal lands are no longer held by the Joint Venture. As of December 31, 2008, the Company wrote down $307,616 of the West Dismal properties.

Leith Property

In 2005, Triex was granted two prospecting permits comprising 32,722 hectares in the Northwest Territories for uranium exploration where the Company had a 50-50 joint venture with Triex in these permits. These permits were situated approximately 400 kilometers northwest of Yellowknife. In early 2008, these permits expired. As a result, the mineral property costs of $70,487 were written-off in March 2008.

Dismal Lake Property

In 2006, the Company and Triex acquired 17 claims (13,921 hectares) from URE and 10 claims (7,295 hectares) from Patrician. These contiguous claims are prospective for uranium and are situated 40 kilometers northwest of the Mountain Lake property in the Hornby Bay Basin, Nunavut.

Kendall River Property

In 2006, the Company and Triex acquired 4 claims (4,180 hectares) from Aramis. The Kendall River Property is prospective for uranium and is situated 15 kilometers southeast of the Mountain Lake property in the Hornby Bay Basin, Nunavut.

c. 100% Owned Properties, Saskatchewan

Fireweed Property
The Fireweed property (10,921 hectares) is centered 15 kilometers northwest of the Company's Darby-Candle properties and was acquired in October 2004 by way of staking.

Gumboot Property
The Gumboot property (4,196 hectares) is centered 20 kilometers north of the Company's Darby-Candle properties and was acquired in November 2004 by way of staking.

Fisher Property
In November 2005, the Company acquired the 3,349-hectare Fisher property by way of staking. Fisher is located 40 kilometers north of the Company's Darby-Candle properties.

3. Expenditures on Mineral Properties – *Continued*

c. 100% Owned Properties, Saskatchewan – *Continued*

Marten and Wolverine Properties
In June 2007, the Company acquired the Marten and Wolverine properties in the Athabasca Basin, Saskatchewan by way of staking. Marten (2,768 hectares) is located 40 kilometers east-southeast of the Company's Darby-Candle properties. Wolverine (3,632 hectares) is located 30 kilometers southeast of the Company's Darby-Candle properties.

As of December 31, 2008 and 2007, the Company spent a total of $2,347,073 and $1,869,429, respectively, on its 100% owned properties.

100% Properties

	December 31, 2008	December 31, 2007
Fireweed	**$ 811,786**	$ 808,838
Gumboot	**1,139,094**	885,953
Fisher	**116,785**	114,560
Marten	**135,705**	26,040
Wolverine	**143,703**	34,038
	$ 2,347,073	$ 1,869,429

d. Gabon Optioned Properties, Africa

On February 26, 2006, the Company together with Cameco Corporation ("Cameco") signed a Letter Agreement, subject to the satisfactory completion of a due diligence review, with Motapa Diamonds Inc. ("Motapa") to jointly explore Motapa's uranium-gold-manganese exploration licenses in Gabon, Africa. Motapa holds the exclusive rights to explore for uranium, gold and manganese on approximately 600,000 hectares of the Franceville Basin in central Gabon. The Company, Cameco and Motapa finalized the Letter Agreement on June 12, 2006.

Terms of the Letter Agreement provide Cameco and the Company with the option to earn a 56% (28% each) interest in the licences by incurring exploration expenditures of $3,500,000 ($1,750,000 each) over a four year period. In addition the parties will have a second option to acquire an additional 24% interest (12% each) by spending a further $8,500,000 ($4,250,000 each) within three years following the completion of initial vesting. The Company's obligation is a cumulative expenditure of $500,000 during the first two years of exploration, which began January 1, 2007.

As at December 31, 2008 and 2007, the Company had spent $661,056 and $266,339, respectively, on the Gabon optioned properties.

e. Namibia Optioned Properties, Africa

The Company entered into a Letter Agreement on January 18, 2007, amended on March 21, 2007 and September 24, 2008, with Manica Minerals Ltd. ("Manica") to acquire a 51% interest in three uranium exploration properties in Namibia, Africa. The initial option may be exercised by spending $900,000 in exploration work on the properties by November 9, 2008 (the "Initial Option Date") and making the following cash payments to Manica:

$15,000 on signing the Letter Agreement (paid),
$25,000 by the first anniversary of the date of the Letter Agreement (paid)
$35,000 by the second anniversary of the date of the Letter Agreement (paid).

3. Expenditures on Mineral Properties – *Continued*

e. Namibia Optioned Properties, Africa – *Continued*

Once the initial option has been exercised, the Company will have a second and a third option to earn a further 20% and 9% interest in the properties, respectively, for a total interest of up to 80%, by expending an additional $1,400,000 in exploration on the properties by January 18, 2011 and then completing a positive feasibility study by an independent mutually acceptable qualified party.

In addition, on April 20, 2007, the Company issued 15,000 common shares to Manica, for a right of first refusal on new uranium exploration properties located by Manica in Namibia (Note 7b).

On September 24, 2008, the Company and Manica signed an amendment to the Letter Agreement dated January 18, 2007 to extend the Initial Option Date by one year to November 9, 2009.

During 2008, the Company wrote off $184,032 on the Namibia properties as a result of the expiration of the Nakop licenses. As at December 31, 2008 and 2007, the Company had spent $820,320 (including the $184,032 written-off) and $427,313, respectively, on the Namibia optioned properties.

4. Equipment

Details are as follows:

	Cost as of Jan 1, 2008	Additions	Accumulated Amortization	**Net Book Value as at December 31, 2008**	Net Book Value as at December 31, 2007
Computer equipment	$ 15,818	$ 5,099	$ 9,887	**$ 11,030**	$ 9,566
Office furniture	7,487	-	2,914	**4,573**	5,716
Exploration equipment	47,034	200	23,745	**23,489**	33,313
Computer software	40,823	11,890	46,768	**5,945**	-
	$ 111,162	$ 17,189	$ 83,314	**$ 45,037**	$ 48,595

5. Deferred Gain on Uranium One Joint Venture

In January 2007, the Company and Uranium One formed a 50:50 joint venture (Note 3a). With Uranium One having funded $4,000,000 to earn 50% interest in the Athabasca Basin joint ventured properties, the Company's 50% interest in the joint venture is deemed to have a value of $4,000,000 and the Company has recorded a net gain of $4,000,000. The Company recognized as income $2,000,000 of the amount of the gain (50% of Uranium One's $4,000,000 contribution to exploration expenses) and the remaining 50% gain will be deferred and amortized over the life of the joint venture, or the life of the assets being contributed, which is deemed to have a life of 40 years and amortized on a straight line basis.

During 2008, $50,000 (2007: $50,000) of the remaining gain was amortized.

6. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, related party transactions are as follows:

a) During the year ended December 31, 2008, the Company paid fees of $62,500 (2007: $90,000) to a company of which the Chief Financial Officer is the President and a Director. As of December 31, 2008, $5,250 (2007: $Nil) was owed to that company.

6. Related Party Transactions – *Continued*

b) During the year ended December 31, 2008, the Company incurred directors' fees of $18,000 (2007: $14,476) to non-executive directors. As of December 31, 2008, the Company owed $2,741 (2007: $11,137) to an executive director for expense reimbursement.

Related party transactions are measured at the fair value amount as determined by management. The amounts owe bear no interest and are unsecured with no repayment terms.

7. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

		Number		Amount		Contributed Surplus
Issued and fully paid:						
Balance as at December 31, 2006		28,413,585	$	10,531,591	$	562,963
Property Acquisition	Note 7b	15,000		58,500		-
Exercise of Options	Note 7c	375,000		298,050		-
Exercise of Brokers' Warrants	Note 7a	132,000		250,800		-
Private Placement	Note 7d	1,000,000		3,000,000		-
Private Placement – Flow-through Shares	Note 7e	1,008,200		3,125,420		-
Flow-through Share Tax Recovery		-		(1,237,280)		-
Share Issue Costs	Notes 7d and 7e	-		(319,566)		-
Stock-based Compensation		-		-		1,561,047
Fair value of Brokers' Warrants and Options Exercised	Notes 7a and 7c	-		252,353		(252,353)
Balance as at December 31, 2007		30,943,785		15,959,868		1,871,657
Stock-based Compensation		-		-		1,575,658
Share Issue Costs	Note 7f	-		(82,153)		-
Flow-through Share Tax Recovery		-		(925,124)		-
Private Placement - Flow-through Shares	Note 7f	2,501,000		1,500,600		-
Balance as at December 31, 2008		33,444,785	$	16,453,191	$	3,447,315

a) On November 22, 2006, the Company completed a private placement for total proceeds of $4,180,000. The offering comprised of 2,200,000 flow-through common shares issued at a price of $1.90 per share. With respect to this transaction the Company paid a commission of $301,336 in cash and issued brokers' warrants to acquire 132,000 common shares at an exercise price of $1.90 expiring on November 22, 2007. These brokers' warrants were exercised in 2007 for gross proceeds of $250,800. A fair value of $107,524 was recognized on the brokers' warrants.

b) In 2007, the Company issued 15,000 common shares for a first refusal on new Namibia properties acquired by Manica (Note 3e) at a price of $3.90 per share.

c) In 2007, a total of 375,000 stock options were exercised for gross proceeds of $298,050. A fair value expense of $144,829 was recognized on the exercise of these options and transferred from contributed surplus into share capital during the period.

7. Share Capital *– Continued*

d) On August 2, 2007, the Company closed a non-brokered private placement for gross proceeds of $3,000,000. 1,000,000 units were issued at $3.00 per unit, with each unit consisting of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to acquire a common share for eighteen months at a price of $3.75. The Company paid a cash finder's fee in the amount of $150,000 in connection with the private placement. $15,000 for filing fees were included in share issue costs.

e) On December 6, 2007, the Company closed a non-brokered private placement of 1,008,200 "flow-through" common shares at $3.10 per share to raise gross proceeds of $3,125,420. The Company paid cash finder's fees in the amount of $131,440 in connection with the private placement. $23,126 for filing fees were included in share issue costs.

f) On October 17, 2008, the Company closed a non-brokered private placement of 2,501,000 flow-through common shares at $0.60 per share to raise gross proceeds of $1,500,600. The Company paid cash finder's fees in the amount of $73,800 in connection with the private placement. $8,353 for filing fees were included in share issue costs.

Stock Options

On September 1, 2005, the Company adopted a new stock option plan. Under this plan, the Company may grant up to a rolling 10% of its outstanding common shares at the time options are granted to directors, employees and consultants of the Company.

During 2008, the Company granted 635,000 new stock options at the price range from $0.23 to $1.35 per share to directors and employees. The Company also cancelled 790,000 options issued on January 2, 2007 to directors and senior officers. The Company has re-priced 1,177,500 options granted to directors, employees and consultants that were granted at prices range from $1.09 to $2.60, to a new exercise price of $0.23, subject to TSX Venture Exchange and disinterested shareholder approval.

	December 31, 2008				December 31, 2007			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Weighted Average Grant Date Fair Value	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	2,772,500	$1.92	2.80	$ 1.98	1,472,500	$0.71	2.81	$ 0.85
Granted	635,000	0.54	4.72	0.52	1,675,000	2.73	3.40	2.73
Exercised	-	-	-	-	(375,000)	0.79	-	0.79
Cancelled	(790,000)	2.90	3.01	2.90	-	-	-	-
Expired	(65,000)	2.14	-	2.14	-	-	-	-
Outstanding, end of period	2,552,500	$1.27	2.53	$ 1.33	2,772,500	$1.92	2.80	$ 1.98

7. Share Capital – *Continued*

Stock-based Compensation

The following options were outstanding as of December 31, 2008:

Expiry Date	Exercise Price	Number of Options
October 14, 2010	$0.55	800,000
November 8, 2010	$0.68	150,000
January 11, 2011	$1.06	90,000
August 28, 2011	$1.25	7,500
December 15, 2011	$2.43	20,000
October 5, 2012	$2.60	825,000
December 20, 2012	$1.98	25,000
February 21, 2013	$1.35	30,000
June 24, 2013	$1.19	100,000
July 9, 2013	$1.07	80,000
November 7, 2013	$0.23	425,000
		2,552,500

The Company recognizes compensation expense for all stock options granted using the fair value method of accounting. Total fair value of stock options vested during the year ended December 31, 2008 was $1,575,658 (2007: $1,561,047).

The following weighted average assumptions were used in the Black-Scholes calculation of the value of stock options granted during the periods:

	2008	2007
Risk-free interest	1.69 - 4.23%	3.83 – 4.50%
Expected dividend yield	-	-
Expected stock price volatility	80 – 90%	78 – 94%
Expected option life in years	1- 4	1- 4

Option pricing models require the input of highly subjective assumptions including expected stock 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.

Warrants

At December 31, 2008, the Company has 500,000 warrants outstanding with an exercise price of $3.75 and expiry date of February 7, 2009, subsequently expired.

Escrow Shares

During the year ended December 31, 2007, the remaining 3,230,116 escrow common shares were released.

8. Income Taxes

A reconciliation of expected and actual income tax expense at statutory rates is as follows:

	2008	2007
Net loss for accounting purposes	$ (2,402,038)	$ 203,108
Expected income tax recovery (expense)	744,632	(69,260)
Net adjustment for non-deductible or taxable amounts	(374,133)	284,887
Recovery of FIT recorded as flow-through share issue costs	925,124	1,237,280
Net change in valuation allowance	(370,499)	(215,627)
Increase in FIT liability	(954,784)	(838,338)
Recognized tax assets	-	2,813
Income tax recovery (expense)	$ (29,660)	$ 401,755

The Company's aggregated income tax liability is as follows:

	2008	2007
Operating loss carryforwards	$ 1,827,495	$ 632,339
Deferred development costs in excess of tax pool	(11,597,241)	(6,532,040)
Property and equipment carrying value in excess of tax pool	53,529	32,783
Total	(9,716,217)	(5,866,918)
Expected statutory rates	27.70%	29.60%
Potential future income tax liability	$ (2,691,392)	$ (1,736,608)

9. Segmented Financial Information

The Company operates in one industry segment, that being the acquisition and exploration of mineral properties. Geographic information is as follows:

	December 31, 2008	Decemeber 31, 2007
Capital assets		
Canada	$ 23,160,924	$ 23,529,047
Africa	1,297,344	693,652
	$ 24,458,268	$ 24,222,699

10. Financial instruments

The fair values of the Company's cash and cash equivalents, short-term investments and accounts receivable, prepaid expenses and deposits, accounts payables and accrued liabilities, and due to related parties/joint venture parties approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, and interest risk.

10. Financial instruments *– Continued*

(a) Currency risk

The Company's property interests in Africa make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

(b) Credit risk

The Company's cash and short-term investments are held in large Canadian financial institutions. Short-term investments are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period. The Company does not have any asset-backed commercial paper in its short-term investments. The Company's accounts receivable consists primarily of goods and services tax due from the federal government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is limited because these investments, although available for sale, are withdrawn with interest as needed.

11. Management of capital risk

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (see Note 7). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares an annual expenditure budget that is updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual budget is approved by the Board of Directors.

11. Management of capital risk *– Continued*

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources to be sufficient to carry its exploration plans and operations through 2009.

12. Commitments

The Company has a lease commitment for its offices in Vancouver, British Columbia, for approximately $2,400 monthly rent from May 1, 2006 until April 30, 2010.

13. Subsequent Events

80,000 stock options with an exercise price of $1.07 expired on January 31, 2009. Also, 500,000 warrants with an exercise price of $3.75 expired on February 7, 2009.

On March 11, 2009, the Company entered into a Letter Agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). Pursuant to the Letter Agreement, JOGMEC acquired an option to earn an undivided 50% interest in the Company's Wolverine and Marten properties. To exercise the option and earn a 50% interest, JOGMEC must pay Pitchstone $200,000 as an initial contribution for prior expenditures and spend $1,800,000 in exploration on the properties by March 31, 2012.

On March 18, 2009, the Company entered into a Letter Agreement with Denison Mines Corp. ("Denison") to acquire up to a 75% interest in the Johnston Lake property in the Athabasca Basin, Saskatchewan. Terms of the Letter Agreement provide the Company with the option to earn an initial 49% interest in the licences by incurring exploration expenditures of $1,000,000 by February 28, 2012. In addition, the Company will have a second option to acquire a further 26% interest, for a total interest of 75%, by spending an additional $1,000,000 in exploration by February 28, 2014. The Company will act as initial operator with respect to the work to be carried out on the property.

The Company met the requirements of the Letter Agreement with Manica (refer to Note 3e) and earned a 51% interest in the two properties (Dome and Kaoko) in Namibia, Africa. The Company elected not to exercise the second option of the Letter Agreement and a Joint Venture will be formed.