

PITCHSTONE EXPLORATION LTD.

An Exploration Stage Company

CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the Six Months Ended June 30, 2009

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Consolidated Balance Sheets
 (unaudited)

ASSETS		June 30, 2009		December 31, 2008
Current				
Cash and cash equivalents	\$	6,274,420	\$	7,956,118
Accounts receivable		149,191		96,911
Prepaid expenses		17,724		21,893
Due from JOGMEC		9,467		-
Total Current Assets		6,450,802		8,074,922
Expenditures on mineral properties	Note 3	18,137,355		16,338,309
Equipment	Note 4	48,703		45,037
Total Assets		\$ 24,636,860	\$	24,458,268
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	\$	234,807	\$	272,641
Due to related parties	Note 6	10,450		7,991
Due to JCU		-		10,244
Total Current Liabilities		245,257		290,876
Future income tax liability		3,107,058		2,691,392
Deferred gain on Uranium One Joint Venture	Note 5	1,875,000		1,900,000
Total Liabilities		5,227,315		4,882,268
Shareholders' Equity				
Share capital	Note 7	\$ 16,037,524	\$	16,453,191
Share subscriptions	Note 7	540,250		-
Contributed surplus	Note 7	3,609,838		3,447,315
Retained earnings (deficit)		(778,067)		(324,506)
Total Shareholders' Equity - Statement 3		19,409,545		19,576,000
Total Liabilities and Shareholders' Equity		\$ 24,636,860	\$	24,458,268

Nature and Continuance of Operations Note 1
 Subsequent Events Note 12

ON BEHALF OF THE BOARD:

"Edward A.G. Trueman", Director

"Paul Geyer", Director

- See Accompanying Notes -

**Consolidated Statements of Operations,
Comprehensive Loss and Deficit**
(unaudited)

	For the three months ended June 30,		For the six months ended 30,		June
	2009	2008	2009	2008	2008
Revenues					
Overhead recoveries	\$ 6,399	\$ 63,040	\$ 2,511	\$ 130,190	
Interest income	28,938	67,986	76,626	187,085	
Equipment rental revenue	-	21,300	2,720	21,300	
Gain on contributed joint venture assets	Note 5	12,500	25,000	25,000	
Total revenues	47,837	164,826	106,857	363,575	
Administrative expenses					
Accounting and audit	Note 6a	18,795	22,900	32,795	40,400
Amortization		5,151	20,088	9,797	40,177
Directors' fees	Note 6b	5,200	-	5,200	-
Filing and transfer agent fees		5,247	10,244	11,790	24,618
Insurance		7,351	13,398	16,808	23,863
Investor relations		10,580	10,283	23,498	22,390
Legal fees		11,301	9,974	15,028	17,382
Administration expenses		15,351	18,065	33,121	36,522
Property acquisition		7,253	-	7,253	-
Salaries and wages		113,663	56,937	225,475	217,226
Stock-based compensation	Note 7	150,242	72,672	162,523	838,635
Travel		4,891	3,793	17,130	10,947
Total administrative expenses		355,025	238,354	560,418	1,272,160
Income (loss) before other item		(307,188)	(73,528)	(453,561)	(908,585)
Mineral property write-downs		-	-	-	(202,373)
Income (loss) before taxes		(307,188)	(73,528)	(453,561)	(1,110,958)
Net income (loss) and comprehensive income (loss) for the period		\$ (307,188)	\$ (73,528)	\$ (453,561)	\$ (1,110,958)
Earning (loss) per share – Basic					
-Basic		(\$0.01)	\$0.00	(\$0.01)	(\$0.04)
-Fully diluted		(\$0.01)	\$0.00	(\$0.01)	(\$0.04)
Weighted average number of shares outstanding					
-Basic		33,444,785	30,943,785	33,444,785	30,943,785
-Fully diluted		34,018,424	34,281,285	33,758,117	34,281,285

- See Accompanying Notes -

Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

	Number of Shares	Amount	Contributed Surplus	Earnings/ Deficit	Total Shareholders' Equity
Balance at December 31, 2007	30,943,785	\$ 15,959,868	\$ 1,871,657	\$ 2,107,192	\$ 19,938,717
Share issues:					
Stock-based Compensation	-	-	1,575,658	-	1,575,658
Share Issue Costs	Note 7a	(82,153)	-	-	(82,153)
Flow-through Share Tax Recovery	-	(925,124)	-	-	(925,124)
Private Placement - Flow-through Shares	Note 7a	2,501,000	1,500,600	-	1,500,600
Net loss and comprehensive loss for the year	-	-	-	(2,431,698)	(2,431,698)
Balance at December 31, 2008	33,444,785	\$ 16,453,191	\$ 3,447,315	\$ (324,506)	\$ 19,576,000
Share issues:					
Flow-through Share Tax Recovery	-	(415,667)	-	-	(415,667)
Stock-based Compensation			162,523		162,523
Share Issue Costs					-
Share Subscription - shares to be issued	Note 7b	540,250			540,250
Net loss and comprehensive loss for the period				(453,561)	(453,561)
Balance at June 30, 2009	33,444,785	\$ 16,577,774	\$ 3,609,838	\$ (778,067)	\$ 19,409,545

- See Accompanying Notes -

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Statement 4

Consolidated Statements of Cash Flows

(Unaudited)

	For the three months ended June 30,		For the six months ended 30,	
	2009	2008	2009	2008
Cash Flows from Operating Activities				
Net income (loss) for the period	\$ (307,188)	\$ (73,528)	\$ (453,561)	\$ (1,110,958)
Items not affected by cash				
Amortization	5,151	20,088	9,797	40,177
Future income tax expense (recovery)	-	-	415,667	-
Mineral property write-downs	-	-	-	202,373
Stock-based compensation	150,242	72,672	702,773	838,635
Gain on contributed JV assets	(12,500)	(12,500)	(25,000)	(25,000)
	(164,295)	6,732	649,676	(54,773)
Changes in non-cash working capital items				
Accounts receivable	18,087	(19,331)	(52,281)	(27,091)
Prepaid expenses	(2,280)	(542)	4,169	7,310
Accounts payable and accrued liabilities	(48,889)	(76,823)	(270,366)	197,166
Due to/from related parties	2,849	3,301	2,459	3,301
Due to/from joint venture partners	(7,381)	423,637	(19,711)	(16,525)
Net Cash Provided by (Used In) Operating Activities	(201,909)	336,974	313,946	109,388
Cash Flows from Investing Activities				
Resource properties	(240,470)	(1,532,618)	(1,566,514)	(2,577,424)
Purchase of equipment	-	-	(13,463)	(15,872)
Net Cash Provided by (Used In) Investing Activities	(240,470)	(1,532,618)	(1,579,977)	(2,593,296)
Cash Flows from Financing Activities				
Cash received for shares to be issued	540,250	-	-	-
Flow through share tax recovery	-	-	(415,667)	-
Net Cash Provided by (Used In) Financing Activities	540,250	-	(415,667)	-
Net Increase (Decrease) in Cash and Cash Equivalents	97,871	(1,195,644)	(1,681,698)	(2,483,908)
Cash and Cash Equivalents – Beginning of the period	6,176,549	10,392,920	7,956,118	11,681,184
Cash and Cash Equivalents – End of the period	\$ 6,274,420	\$ 9,197,276	\$ 6,274,420	\$ 9,197,276
Cash and Cash Equivalents comprised of:				
Cash	\$ 553,563	\$ 222,438	\$ 553,563	\$ 222,438
Guaranteed Investment Certificates (GIC)	\$ 5,720,857	\$ 8,974,838	\$ 5,720,857	\$ 8,974,838
Supplementary Information				
Shares issued for property acquisition	\$ -	\$ -	\$ -	\$ -
Interest income - cash received	\$ 5,076	\$ 25,025	\$ 26,251	\$ 37,909

- See Accompanying Notes -

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

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 54.5% 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 40.87% interest in the Candle claim jointly held 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 venture assets and liabilities are included in the Company's account.

Pitchstone Exploration Ltd.

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Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

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.

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Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

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) Changes in accounting policies

(i) *Goodwill and Intangible Assets*

The CICA issued Section 3064 – Goodwill and Intangible Assets replacing Section 3450, Research and Development Costs. The new standard establishes guidelines for the recognition, measurement, presentation and disclosure of research and development costs. The Company adopted this policy during the first quarter of the 2009 fiscal year and this standard did not have a material impact on the Company's financials statements.

(ii) *Credit Risk and the Fair Value of Financial Assets and Liabilities*

In January 2009, the CICA issued the Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", effective for interim and annual financial statements ending on or after January 20, 2009. EIC-173 provides further information on the determination of the fair value of financial assets and liabilities under Section 3855, "Financial Instruments – Recognition and Measurement". It states that an entity's own credit and credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 should be applied retroactively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Company adopted this abstract during the first quarter of the 2009 fiscal year and this standard did not have a material impact on the Company's financial statements.

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Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

2. Significant Accounting Policies - *Continued*

l) Changes in accounting policies - *Continued*

(iii) *New standards*

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 9).
- (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 9).
- (d) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 10). 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.

(iv) *Consolidated Financial Statements and Non-controlling Interests*

In January 2009, the CICA issued the new handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in the parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated.

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Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

2. Significant Accounting Policies - *Continued*

l) Changes in accounting policies - *Continued*

(iv) Consolidated Financial Statements and Non-controlling Interests- *Continued*

They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in 2011 in connection with the conversion to IFRS.

(v) Business Combinations

In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in 2011.

m) 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.

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Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

3. Expenditures on Mineral Properties

	Athabasca Basin Properties, Saskatchewan Uranium One Joint Venture (Note 3a)	Athabasca Basin Properties, Saskatchewan 100% Owned Properties (Note 3b)	Athabasca Basin Properties, Saskatchewan Denison Joint Venture (Note 3d)	Hornby Bay Basin Properties, Nunavut Trix Joint Venture (Note 3e)	Gabon Optioned Properties Africa (Note 3f)	Namibia Manica JV Properties Africa (Note 3g)	Total
Balance at December 31, 2007	\$ 6,207,210	\$ 1,869,429	\$ -	\$ 3,402,939	\$ 266,339	\$ 427,313	\$ 12,173,230
Aircraft charter	266,164	61,475	-	-	-	-	327,639
Camp and general	492,760	37,911	-	25,334	48,213	320	604,538
Drilling	1,134,169	119,135	-	1,379,884	-	97,479	2,730,667
Geological	154,614	26,153	-	31,346	99,489	223,549	535,151
Geochemical	5,693	11,124	-	-	98,020	41,937	156,774
Geophysical	4,632	207,256	-	39,879	115,058	-	366,825
Linecutting and chaining	1,877	-	-	-	-	-	1,877
Mineral claims expenses	990	488	-	15,894	-	25,000	42,372
Overhead	-	-	-	124,774	903	-	125,677
Sampling and analysis	67,440	8,321	-	(9,935)	264	3,069	69,159
Travel	30,582	5,162	-	3,041	32,770	1,653	73,208
Community relations	1,001	619	-	5,996	-	-	7,616
Recovery from partners	(315,348)	-	-	-	-	-	(315,348)
Total expenditures for the year	1,844,574	477,644	-	1,616,213	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	\$ 2,347,073	\$ -	\$ 4,642,108	\$ 661,056	\$ 636,288	\$ 16,338,309
Aircraft charter	52,066	11,120	-	-	-	-	63,186
Camp and general	207,613	227,751	-	-	-	-	435,364
Drilling	408,304	623,776	-	-	-	87,951	1,120,031
Geological	45,994	86,761	5,869	-	(5,567)	159,010	292,067
Geochemical	428	-	-	-	-	-	428
Geophysical	33,099	35,000	-	-	-	-	68,099
Linecutting and chaining	6,111	-	-	-	-	-	6,111
Mineral claims expenses	1,153	1,589	-	-	-	35,000	37,742
Overhead	-	-	-	-	-	-	-
Sampling and analysis	21,242	26,173	-	-	-	7,060	54,475
Travel	7,906	13,219	-	-	-	5,655	26,780
Community relations	75	-	-	-	-	-	75
Recovery from partners	(105,312)	(200,000)	-	-	-	-	(305,312)
Total expenditures for the year	678,679	825,389	5,869	-	(5,567)	294,676	1,799,046
Mineral property write-downs	-	-	-	-	-	-	-
Balance at June 30, 2009	\$ 8,730,463	\$ 3,172,462	\$ 5,869	\$ 4,642,108	\$ 655,489	\$ 930,964	\$ 18,137,355

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Notes to Consolidated Financial Statements

June 30, 2009

(Unaudited)

3. Expenditures on Mineral Properties – Continued

	Athabasca Basin Properties, Saskatchewan Uranium One Joint Venture (Note 3a)	Athabasca Basin Properties, Saskatchewan 100% Owned Properties (Note 3b)	Athabasca Basin Properties, Saskatchewan Denison Joint Venture (Note 3d)	Hornby Bay Basin Properties, Nunavut Trix Joint Venture (Note 3e)	Gabon Optioned Properties Africa (Note 3f)	Namibia Manica JV Properties Africa (Note 3g)	Total
Cumulative totals as of June 30, 2009:							
Aircraft charter	\$ 664,239	\$ 370,376	\$ -	\$ -	\$ -	\$ -	\$ 1,034,615
Camp and general	1,231,457	482,166	-	58,814	52,464	678	1,825,579
Drilling	2,611,369	1,360,154	-	2,972,846	-	185,430	7,129,799
Geological	402,428	148,582	5,869	382,191	166,517	539,864	1,645,451
Geochemical	6,121	11,124	-	-	98,020	58,280	173,545
Geophysical	153,051	721,837	-	482,838	266,934	126,671	1,751,331
Linecutting and chaining	87,437	117,235	-	-	-	-	204,672
Mineral claims expenses	3,038	122,478	-	276,491	3,254	148,833	554,094
Overhead	-	-	-	391,799	903	-	392,702
Sampling and analysis	125,069	55,237	-	436,412	264	10,128	627,110
Travel	68,099	31,624	-	11,765	67,133	45,112	223,733
Community relations	1,076	619	-	5,996	-	-	7,691
Recovery from partners	(591,437)	(200,000)	-	-	-	-	(791,437)
Government assistance	(31,484)	(48,970)	-	-	-	-	(80,454)
Deemed value in joint venture	4,000,000	-	-	-	-	-	4,000,000
Total expenditures before write-downs	8,730,463	3,172,462	5,869	5,019,152	655,489	1,114,996	18,698,431
Mineral property write-downs	-	-	-	(377,044)	-	(184,032)	(561,076)
Balance at June 30, 2009	\$ 8,730,463	\$ 3,172,462	\$ 5,869	\$ 4,642,108	\$ 655,489	\$ 930,964	\$ 18,137,355

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.

In the last quarter of 2008, Uranium One's participating interest was diluted when Uranium One stopped funding their share of exploration expenditures. When the exploration programs started in early 2009, Uranium One's participating interest was further diluted. The participating interests in Darby, Waterfound, Moon Lake, and the Lynx Lake properties for the Company and Uranium One are 54.50% and 45.50%, respectively. Participating interests in the Candle property for the Company, Uranium One, and JCU are 40.87%, 34.13%, and 25%, respectively.

Pitchstone Exploration Ltd.

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June 30, 2009

(Unaudited)

3. Expenditures on Mineral Properties – *Continued*

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

As of June 30, 2009, the Company's share of exploration expenditures on these five properties totalled \$8,732,463 (December 31, 2008: \$8,051,784). This total includes the deemed value of the properties (\$4,000,000) recovered at the time of Uranium One's earn in to its share in the Joint Venture.

Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture

	June 30, 2009		December 31, 2008	
50% interest in joint venture	\$	4,000,000	\$	4,000,000
Darby Property		2,644,533		2,301,147
Waterfound Property		320,688		295,792
Lynx Lake Property		40,459		37,544
Moon Lake Property		315,234		292,988
Candle Property		1,441,033		1,155,797
Unallocated assistance received		(31,484)		(31,484)
	\$	8,730,463	\$	8,051,784

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 share 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. The current ownership in the Candle claim, after the dilution of Uranium One's interest, between the Company, Uranium One, and JCU is 40.87%/34.13%/25%, 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.

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3. Expenditures on Mineral Properties – Continued

b. Athabasca Basin Properties, Saskatchewan - 100% Owned Properties

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.

Weasel Property

On April 1, 2009, the Company acquired a claim (S-111484) totalling 843 hectares by way of staking. Weasel is adjacent to the southwest part of the Darby-Candle property.

As of June 30, 2009 and December 31 2008, the Company spent a total of \$3,172,462 and \$2,347,073, respectively, on its 100% owned properties. These totals include exploration completed on the Wolverine and Marten properties to March 31, 2009. Wolverine and Marten have now been optioned to Japan Oil, Gas and Metals National Corporation ("JOGMEC") and are described in the following section.

Athabasca Basin Properties, Saskatchewan - 100% Owned properties

	June 30, 2009		December 31, 2008	
Fireweed	\$	812,206	\$	811,786
Gumboot		2,162,957		1,139,094
Fisher		117,891		116,785
Marten		35,705		135,705
Wolverine		43,703		143,703
	\$	3,172,462	\$	2,347,073

c. Athabasca Basin Properties, Saskatchewan – Wolverine & Marten Properties, JOGMEC Option

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.

On March 11, 2009, Wolverine and Marten properties were optioned to JOGMEC. JOGMEC can acquire an undivided 50% interest in the properties by paying Pitchstone \$200,000 (paid) as an initial contribution for prior expenditures and spending \$1,800,000 in exploration on the properties by March 31, 2012. As of June 30, 2009, the expenditures by JOGMEC on Wolverine and Marten were \$5,699 and \$3,768, respectively.

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3. Expenditures on Mineral Properties – *Continued*

d. Athabasca Basin Properties, Saskatchewan - Johnston Lake Property, Denison Option

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. Johnston Lake comprises 15,666 hectares in four claims. Three of the claims are contiguous to the east and north with the Company's Gumboot property, and the fourth claim is eight kilometers north of Gumboot.

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 on exploration by February 28, 2014.

The Company acts as initial operator with respect to the work to be carried out on the property. As of June 30, 2009, the Company spent a total of \$5,869 on the Johnston Lake property.

e. Hornby Bay Basin Properties, Nunavut – Triex Joint Venture

On May 9, 2005, the Company entered into a 50:50 joint venture to explore 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.

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3. Expenditures on Mineral Properties – *Continued*

e. Hornby Bay Basin Properties, Nunavut – Triex Joint Venture – *Continued*

Triex is the operator of these properties. No exploration activities on the Hornby Bay properties were completed during the second quarter of 2009. As of June 30, 2009, the Company spent a total of \$5,019,152 on the joint venture properties and 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, Nunavut - Triex Joint Venture

	June 30, 2009	December 31, 2008
Mountain Lake Property	\$ 1,930,808	\$ 1,930,808
Mountain Lake – URE	675,636	675,636
West Dismal Property	418,675	418,675
Leith Property	70,487	70,487
Dismal Lake - Patrician	510,075	510,075
Dismal Lake - URE	853,749	853,749
Kendall River Property	559,722	559,722
	5,019,152	5,019,152
Mineral property write-downs	(377,044)	(377,044)
	\$ 4,642,108	\$ 4,642,108

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.

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 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 the international lapse of some claims, a large portion of the West Dismal lands are no longer held by the Joint Venture. In 2008, the Company wrote down \$307,616 of the West Dismal properties.

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3. Expenditures on Mineral Properties – *Continued*

e. Hornby Bay Basin Properties, Nunavut – Triex Joint Venture – *Continued*

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.

f. 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.

No exploration on the Gabon properties was completed during the second Quarter of 2009. As at June 30, 2009 and December 31, 2008, the Company had spent \$655,489 and \$661,056, respectively, on the Gabon optioned properties.

g. 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).

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Notes to Consolidated Financial Statements

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3. Expenditures on Mineral Properties – *Continued*

g. Namibia Optioned Properties, Africa - *Continued*

Once the initial option had been exercised, the Company had 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 of March 11, 2009, the Company has exercised the initial option and earned a 51% interest in the two properties (Dome and Kaoko) in Namibia. The Company elected not to exercise the second option of the Letter Agreement and a joint venture has been formed. The Company is sole funding 2009 exploration costs and as a result the participating interests are currently 58.34% for the Company and 41.66% for Manica.

As of June 30, 2009 and December 31, 2008, the Company had spent \$1,114,996 (including the \$184,032 written-off) and \$820,320, respectively, on the Namibia optioned properties.

4. Equipment

Details are as follows:

	Cost as of Jan 1, 2009	Additions	Accumulated Amortization	Net Book Value as at June 30, 2009	Net Book Value as at December 31, 2008
Computer equipment	\$ 20,917	\$ -	\$ 11,216	\$ 9,701	\$ 11,030
Office furniture	7,486	-	3,371	4,115	4,573
Exploration equipment	47,235	13,463	28,783	31,915	23,489
Computer software	52,712	-	49,740	2,972	5,945
	<u>\$ 128,350</u>	<u>\$ 13,463</u>	<u>\$ 93,110</u>	<u>\$ 48,703</u>	<u>\$ 45,037</u>

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 the six months ended June 30, 2009, \$25,000 (2008: \$25,000) of the remaining gain was amortized.

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6. Related Party Transactions

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

- a) During the six month period ended June 30, 2009, the Company paid fees of \$33,795 (2008: \$32,500) to a company of which the Chief Financial Officer is the President and a Director. As of June 30, 2009, \$5,250 (2008: \$Nil) was owed to that company.
- b) During the six months period ended June 30, 2009, the Company incurred directors' fees of \$5,200 to non-executive directors (2008: \$3,300). As of June 30, 2009, \$5,200 (2008: \$14,438) was owed to non-executive directors.

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

7. Share Capital

Common Shares

- a) 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.
- b) On June 22, 2009, the Company announced a non-brokered private placement of 1,250,000 units (increased to 1,525,000 at closing) of common shares financing at a price of \$0.40 per unit for gross proceeds of \$500,000 (increased to \$610,000 at closing). By June 30, the Company received \$540,250 for the share subscription. The remaining balance was received on July 2. The financing was closed on July 3, 2009; see Subsequent Events for more details.

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 prices ranging 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 a consultant that were granted at prices ranging between \$1.09 to \$2.60, to a new exercise price of \$0.23, approved by disinterested shareholders at the May 14, 2009 Annual General Meeting. During the first quarter, 80,000 stock options with an exercise price of \$1.07 expired.

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7. Share Capital – Continued

Stock Options– Continued

The following table summarized the stock option activity for the six months ended June 30, 2009:

	June 30, 2009				December 31, 2008			
	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	2,552,500	\$1.27	2.43	\$ 0.57	2,772,500	\$1.92	2.80	\$ 1.98
Granted	-	-	-	-	635,000	0.54	4.72	0.52
Exercised	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	(790,000)	2.90	3.01	2.90
Expired	(80,000)	1.07	4.03	1.10	(65,000)	2.14	-	2.14
Outstanding, end of period	2,472,500	\$ 0.36	2.95	\$ 0.50	2,552,500	\$1.27	2.53	\$ 1.33

The following options were outstanding as of June 30, 2009:

Expiry Date	Exercise Price	Number of Options
October 14, 2010	\$0.55	800,000
November 8, 2010	\$0.68	150,000
January 11, 2011	\$0.23	90,000
August 28, 2011	\$0.23	7,500
December 15, 2011	\$0.23	20,000
October 5, 2012	\$0.23	825,000
December 20, 2012	\$0.23	25,000
February 21, 2013	\$0.23	30,000
June 24, 2013	\$0.23	100,000
November 7, 2013	\$0.23	425,000
		2,472,500

Stock-based Compensation

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 six months period ended June 30, 2009 was \$162,523 (same period in 2008: \$838,635).

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

	2009	2008
Risk-free interest	1.69 - 2.44%	1.69 – 4.23%
Expected dividend yield	-	-
Expected stock price volatility	80 – 107%	80 – 90%
Expected option life in years	1- 4	1- 4

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Notes to Consolidated Financial Statements

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7. Share Capital – Continued

Stock-based Compensation – Continued

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

500,000 warrants with an exercise price of \$3.75 expired on February 7, 2009.

8. Segmented Financial Information

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

	June 30, 2009	December 31, 2008
Capital assets		
Canada	\$ 23,050,407	\$ 23,160,924
Africa	1,586,453	1,297,344
	<u>\$ 24,636,860</u>	<u>\$ 24,458,268</u>

9. 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.

(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. For every \$0.01 change in the exchange rate between the Canadian dollar and the South African Rand, based on the Company's estimated expenditures for 2009 in Namibia, the Company's costs would change by approximately \$15,000.

(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.

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9. Financial instruments – *Continued*

(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. For every 1% change in the interest rate on the Company's short term investments, the Company's revenue would change by approximately \$50,000 over a full year.

10. 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.

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 and to the end of 2010.

11. 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.

A contract extension letter has been signed with Bryson drilling, allowing the planned Gumboot drilling program to be completed under the terms of the previous contract. The extension covers a minimum of 3,000 meters of drilling that began June 2009. The total costs of the contract are estimated to be \$900,000. The contract has been fulfilled subsequent to the quarter end June 30.

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12. Subsequent Events

On July 3rd, 2009, the Company closed a non-brokered private placement of 1,525,000 units at \$0.40 per unit to raise gross proceeds of \$610,000. Each unit consists of one common share and a share purchase warrant, with each warrant exercisable into a common share for a period of two years after closing at an exercise price of \$0.60 in the first twelve months and at an exercise price of \$0.80 thereafter. The Company paid cash finder's fees and filing fees in the amounts of \$8,000 and \$4,020, respectively, in connection with the private placement.

Subsequent to the equity financing that closed July 3, 2009, the Company had 1,525,000 warrants outstanding. The number of common shares issued and outstanding was 34,969,785 and the number of fully diluted shares outstanding was 38,967,285.