

# **Pitchstone Exploration Ltd.**

(An Exploration Stage Company)

## **Management's Discussion and Analysis**

For the Nine Months Ended September 30, 2009

**Pitchstone Exploration Ltd.**  
**Management's Discussion and Analysis of Financial Results**  
**For the Nine Months Ended September 30, 2009**  
**Containing information up to and including November 16, 2009**

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Management's Discussion and Analysis ("MD&A") is intended to help the readers understand Pitchstone Exploration Ltd.'s ("Pitchstone" or the "Company") consolidated financial statements. The information provided herein should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2009 and the audited consolidated financial statements for the year ended December 31, 2008. The following discussion may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on factors and variables beyond management's control.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is material complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management quarterly to review the consolidated financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

The readers are encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com) and to review general information on the Company's website [www.pitchstone.net](http://www.pitchstone.net).

**DESCRIPTION OF BUSINESS AND OVERVIEW**

Pitchstone was incorporated under the British Columbia Company Act on April 24, 2003. Since that time, the Company has been involved in the acquisition and exploration of mineral resource properties with the potential to host mineral deposits. On October 14, 2005, Pitchstone's shares began trading on the TSX Venture Exchange as a Tier One Issuer under the symbol "PXP".

The recovery of the Company's investment in its mineral properties is dependent upon the discovery and development of Mineral Resources or Mineral Reserves, and the ability to raise sufficient capital to finance exploration and any potential development and operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters. The Company does not currently have any producing mineral properties.

The Company has six groups of mineral properties with the potential to host uranium mineralization. The first group is comprised of five properties in the Athabasca Basin region of Saskatchewan (**Uranium One Joint Venture**). These properties had been under an Option Agreement with Uranium One Inc. ("Uranium One") since September 3, 2004. In January 2007, Uranium One completed all the earn-in requirements and acquired 50% of the Company's interest in these properties. The Company and Uranium One have formed a joint venture to explore and develop these Athabasca Basin properties. In 2008, Uranium One stopped funding their share of exploration expenditures and their interest is being diluted. At September 30, 2009, the participating interests of the Company and Uranium One in these properties ranged from 40.9% to 54.5% and 34.1% to 45.5%, respectively.

The second group is comprised of four 100% owned properties which are located in the Athabasca Basin region of Saskatchewan (**100% Owned Properties**). These include Gumboot, Fireweed, Fisher and a recently acquired claim referred to as Weasel. Two of the properties previously listed as 100% owned properties (Wolverine and Marten) were recently optioned to Japan Oil, Gas and Metals National Corporation ("JOGMEC").

The third group is comprised of the Wolverine and Marten properties in the Athabasca Basin, Saskatchewan recently optioned to JOGMEC (**Wolverine & Marten Properties, JOGMEC Option**). JOGMEC can earn a 50% interest in the properties.

The fourth group is the Johnston Lake property. On March 18, 2009, the Company entered into a Letter Agreement with Denison Mines Corp. ("Denison") to acquire up to a 75% interest in Denison's Johnston Lake property in the Athabasca Basin, Saskatchewan (**Johnston Lake Property – Denison Option**).

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The fifth group is comprised of four properties in the Hornby Bay Basin region of Nunavut (**Triex Joint Venture**). These properties are held in a 50:50 Joint Venture with Triex Minerals Corporation ("Triex"). One of these properties, the Mountain Lake property, has an Inferred Mineral Resource of 8.2 million pounds of uranium oxide grading 0.23% U<sub>3</sub>O<sub>8</sub> contained in 1.6 million tonnes of rock.

The sixth group of mineral properties is located in Namibia, Africa (**Namibia Optioned Properties**). In January 2007, the Company entered into an agreement with Manica Minerals Ltd. ("Manica") to explore three uranium properties in Namibia. The Company had options to earn up to an 80% interest in these properties. One of the three properties (Nakop) was intentionally allowed to lapse in 2008. The Company has exercised the initial option and earned a 51% interest in the two remaining properties (Dome and Kaoko). Subsequently, the Company elected not to exercise the second option of the Letter Agreement and is currently funding 100 percent of 2009 exploration costs. As a result, the participating interests are currently 60.3% for the Company and 39.7% for Manica.

The Company also had a group of mineral properties located in Gabon, Africa (**Gabon Optioned Properties**). On February 26, 2006, the Company, together with Cameco Corporation ("Cameco"), entered into a Letter Agreement with Motapa Diamonds Inc. ("Motapa") to jointly explore Motapa's uranium-gold-manganese exploration licenses in Gabon. The Company and Cameco had options to earn up to an 80% (40% each) interest in the licenses by 2013. In the third quarter of 2009, the Company decided to withdraw from exploration in Gabon and therefore will not earn an interest in the licences.

For additional information on mineral properties see "Mineral Properties" section.

**RESULTS OF OPERATIONS**

**Selected Annual Information**

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
	\$	\$	\$
Total revenues	655,384	2,751,279	2,575,556
Income (loss) for the year	(2,431,698)	604,863	1,378,359
Income (loss) per share – basic	(0.08)	0.02	0.05
Income (loss) per share – diluted	(0.08)	0.02	0.05
Total assets	24,458,268	24,222,699	14,157,541
Total long-term liabilities	4,591,392	3,686,608	898,270
Cash dividends declared – per share	Nil	Nil	Nil

**Summary of Quarterly Results**

The following table has selected results of operations for each of the eight most recently completed quarters:

	For the Quarter Ended							
	Sept. 30 2009	June 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	Mar. 31 2008	Dec. 31 2007
Total Revenues	<b>60,507</b>	47,837	59,021	47,382	<b>244,426</b>	164,826	198,750	197,467
Income (Loss) for the period	<b>(2,044,014)</b>	(307,188)	(146,373)	(1,011,032)	<b>(309,708)</b>	(73,528)	(1,037,430)	(493,715)
Income (loss) Per Share (Basic)	<b>(0.06)</b>	(0.01)	0.00	(0.03)	<b>(0.01)</b>	0.00	(0.03)	(0.02)
Income (loss) per Share (Diluted)	<b>(0.06)</b>	(0.01)	0.00	(0.03)	<b>(0.01)</b>	0.00	(0.03)	(0.02)

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**Results of Operations for the third quarter ended September 30, 2009**  
**compared to the third quarter ended September 30, 2008**

In the three months ended September 30, 2009, the Company's net loss was \$2,044,014 compared to a net loss of \$309,708 in the same period in 2008. The major increase in net loss was due to \$1,922,405 property write-downs in the third quarter of 2009 compared to \$358,702 in the same period of 2008. The basic and diluted loss per share was \$0.06 in the third quarter of 2009 compared to \$0.01 in the same period of 2008.

During the third quarter in 2009, revenues decreased by \$183,919 comparing to the same period in 2008. Interest income was reduced \$106,308 because of the reduction of GIC interest rates as well as less cash in the bank compared to the same period of last year. Also, because the Uranium One Joint Venture drilling program finished in the first quarter of the year, there was no equipment rental income in the current quarter and less overhead was recovered.

The Company's general and administrative expenses for the three months ended September 30, 2009 were \$182,116 compared to \$195,432 in 2008. In the third quarter of 2009, the non-cash expense of stock-based compensation decreased by \$8,475. Also, investor relations expenses decreased by \$12,429 compared to the same period of 2008.

The Company decided to write down \$1,922,405 of exploration expenditures in the third quarter. This was a result of electing to withdraw from exploration in Gabon (\$677,255) and writing down certain properties in the Hornby Bay area (\$1,345,149).

**Results of Operations for the nine months ended September 30, 2009**  
**compared to the nine months ended September 30, 2008**

In the nine months ended September 30, 2009, the Company's net loss was \$2,497,575, compared to \$1,420,666 in the nine months ended September 30, 2008. The basic and diluted loss per share was \$0.07 in the third quarter of 2009 compared to \$0.05 in the same period of 2008.

The Company's revenue decreased to \$167,365 in the nine months period September 30, 2009 from \$608,002 in the same period of 2008. This was a result of a significant decrease in overhead recovery from Uranium One which stopped contributing to the joint venture in October 2008. The interest income received in the nine months period of 2009 also decreased significantly from \$341,020 to \$124,253 due to lower interest rates after renewal of the term deposits and less cash in hand compared to the same period of 2008.

The Company's administrative expenses, including stock-based compensation, for the nine months ended September 30, 2009, were \$742,534 compared to \$1,467,592 in the same period of 2008. In addition, stock-based compensation expense decreased to \$164,818 from \$849,405. This was a result of less stock options being granted/vested in the nine months period of 2009 compared to the same period last year. Excluding the non-cash stock-based compensation and amortization, which decreased by \$691,389 in 2009, the administrative costs decreased by \$33,669 to \$562,844 in the nine months period in 2009 compared to \$596,513 in the same period of 2008 .

During the nine months ended September 30, 2009, the Company wrote down \$1,922,405 in property expenditures as noted above compared to \$561,076 in 2008.

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**MINERAL PROPERTIES**

**Summary of Mineral Property Expenditures and Exploration Activities**

	Athabasca Basin Properties, Saskatchewan Uranium One Joint Venture	Athabasca Basin Properties, Saskatchewan 100% Owned Properties	Athabasca Basin Properties, Saskatchewan Denison Option	Hornby Bay Basin Properties, Nunavut Triex Joint Venture	Gabon Optioned Properties, Africa	Namibia Properties, Africa Manica Joint Venture	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	53,169	98,849	1,622	-	-	-	153,640
Camp and general	190,335	319,958	203	-	-	-	510,496
Drilling	401,954	1,100,541	-	-	-	133,374	1,635,869
Geological	46,083	135,679	15,907	-	16,199	238,361	452,229
Geochemical	413	-	-	-	-	-	413
Geophysical	33,825	148,250	-	-	-	-	182,075
Linecutting and chaining	5,898	-	-	-	-	-	5,898
Mineral claims expenses	1,146	1,589	-	-	-	35,000	37,735
Overhead	-	-	-	-	-	-	-
Sampling and analysis	20,937	59,613	32,396	-	-	7,060	120,006
Travel	7,740	24,767	1,348	-	-	5,655	39,510
Community relations	73	-	-	-	-	-	73
Recovery from partners	(104,096)	(200,000)	-	-	-	-	(304,096)
Total expenditures for the year	657,477	1,689,246	51,476	-	16,199	419,450	2,833,848
Mineral property write-downs	-	-	-	(1,245,149)	(677,255)	-	(1,922,404)
<b>Balance at September 30, 2009</b>	<b>\$ 8,709,261</b>	<b>\$ 4,036,319</b>	<b>\$ 51,476</b>	<b>\$ 3,396,959</b>	<b>\$ -</b>	<b>\$ 1,055,738</b>	<b>\$ 17,249,753</b>

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**Cumulative totals as of September 30, 2009:**

	Athabasca Basin Properties, Saskatchewan Uranium One Joint Venture	Athabasca Basin Properties, Saskatchewan 100% Owned Properties	Athabasca Basin Properties, Saskatchewan Denison Option	Hornby Bay Basin Properties, Nunavut Trix Joint Venture	Gabon Optioned Properties, Africa	Namibia Properties, Africa Manica Joint Venture	Total
<b>Cumulative totals as of September 30, 2009:</b>							
Aircraft charter	\$ 665,343	\$ 458,105	\$ 1,622	\$ -	\$ -	\$ -	\$ 1,125,070
Camp and general	1,214,179	574,373	203	58,814	52,464	678	1,900,711
Drilling	2,605,016	1,836,919	-	2,972,846	-	230,853	7,645,634
Geological	402,516	197,500	15,907	382,191	188,285	619,215	1,805,614
Geochemical	6,106	11,124	-	-	98,020	58,280	173,530
Geophysical	153,777	835,087	-	482,838	266,932	126,671	1,865,305
Linecutting and chaining	87,225	117,235	-	-	-	-	204,460
Mineral claims expenses	3,031	122,478	-	276,491	3,254	148,833	554,087
Overhead	-	-	-	391,799	903	-	392,702
Sampling and analysis	124,765	88,677	32,396	436,412	264	10,128	692,642
Travel	67,934	43,172	1,348	11,765	67,133	45,112	236,464
Community relations	1,074	619	-	5,996	-	-	7,689
Recovery from partners	(590,221)	(200,000)	-	-	-	-	(790,221)
Government assistance	(31,484)	(48,970)	-	-	-	-	(80,454)
Deemed value in joint venture	4,000,000	-	-	-	-	-	4,000,000
Total expenditures before write-downs	8,709,261	4,036,319	51,476	5,019,152	677,255	1,239,770	19,733,233
Mineral property write-downs	-	-	-	(1,622,193)	(677,255)	(184,032)	(2,483,480)
<b>Balance at September 30, 2009</b>	<b>\$ 8,709,261</b>	<b>\$ 4,036,319</b>	<b>\$ 51,476</b>	<b>\$ 3,396,959</b>	<b>\$ -</b>	<b>\$ 1,055,738</b>	<b>\$ 17,249,753</b>

**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; Darby, Candle, Waterfound, Lynx Lake and Moon Lake. To exercise its 50% option and 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.

In October 2008, Uranium One's participating interest was diluted when Uranium One stopped funding their share of exploration expenditures. As a result, the Company has funded 100% of the Uranium One Joint Venture exploration expenditures since that date, except for the Candle property where JCU has funded its 25% share. When the exploration programs started in early 2009, Uranium One's interest was further diluted. At September 30, 2009, participating interests in Darby, Waterfound, Moon Lake, and Lynx Lake properties for the Company and Uranium One are 54.5% and 45.5%, respectively. Participating interests in the Candle property for the Company, Uranium One, and JCU are 40.9%, 34.1%, and 25%, respectively.

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The Company is the operator of these five joint venture properties. As of September 30, 2009, the Company's share of exploration expenditures on these five properties totalled \$8,709,261 (December 31, 2008: \$8,051,784). This total includes the deemed value of the properties at the time of Uranium One's earn in to the Joint Venture.

**Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture**

	<b>September 30, 2009</b>		December 31, 2008	
50% interest in joint venture	<b>\$</b>	<b>4,000,000</b>	<b>\$</b>	4,000,000
Darby Property		<b>2,635,099</b>		2,301,147
Waterfound Property		<b>317,742</b>		295,792
Lynx Lake Property		<b>40,361</b>		37,544
Moon Lake Property		<b>314,467</b>		292,988
Candle Property		<b>1,433,076</b>		1,155,797
Unallocated assistance received		<b>(31,484)</b>		(31,484)
	<b>\$</b>	<b>8,709,261</b>	<b>\$</b>	8,051,784

*Darby & Candle Properties*

The Darby property, located in the Close Lake area of the Athabasca Basin, was acquired between 2003 and 2005. 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. In March 2007, the Company and Uranium One jointly earned a 75% interest in the property. The remaining 25% interest is held by JCU. The Darby and Candle properties are contiguous and comprise 19,316 hectares.

A total of 55 kilometers of conductive zones have been outlined on the Darby-Candle properties. During February and March 2006, a total of 2,032 meters of drilling in three holes was completed as an initial test of three separate conductors. Two of the three holes, both on the Candle Property, encountered zones of anomalous radioactivity. The most significant radioactivity was in hole CD02, which intersected 2.6 meters that averaged 169 parts per million ("ppm") uranium ("U"), including 0.5 meter that contained 422 ppm U (0.05% U<sub>3</sub>O<sub>8</sub>). During November 2006, 1,968 meters of core drilling was completed in three holes on the Darby property.

Core drilling on Darby-Candle during 2007 totalled 8,535 meters in 15 holes. In July 2007, drill hole CD14 on the Candle property intersected a 3.2 meter interval of uranium mineralization from 647.1 to 650.3 meters that assayed 0.31% U<sub>3</sub>O<sub>8</sub>, including 0.9 meter that contained 0.76% U<sub>3</sub>O<sub>8</sub>. The mineralization in drill hole CD14 was considered significant by management. In August 2007, CD14D1, which is a daughter hole wedged off of CD14 to the west, was completed. CD14D1 intersected a 0.8 meter radioactive zone, from 672.7 to 673.5 meters, that averaged 850 ppm U (0.10% U<sub>3</sub>O<sub>8</sub>), including 0.15 meter that contains 1,810 ppm U (0.21% U<sub>3</sub>O<sub>8</sub>). Numerous other anomalous pathfinder metals are present in CD14D1 including an average of 21.3 g/t silver and 0.39% molybdenum over the 0.8 meter radioactive interval. Mineralization intersected in CD14 and CD14D1 was designated the 97G zone. A 25 line-kilometer fixed-loop electromagnetic survey was also completed on Darby during March 2007.

Drilling during 2008 totalled 8,167 meters in 12 drill holes at Candle and 3,974 meters in eight drill holes at Darby. Drill hole CD25, 100 meters north of CD14 and CD14D1, intersected strong alteration in the upper part of the Athabasca Group sandstone and a narrow, strongly radioactive zone in basement rocks. This radioactive interval has a 0.5 meter core length in altered pelitic gneiss, from 655.3 to 655.8 meters, that averaged 1.91% U<sub>3</sub>O<sub>8</sub>, including a 0.2 meter core length from 655.5 to 655.7 meters that averaged 4.18% U<sub>3</sub>O<sub>8</sub>. The mineralization is associated with a black, pyritic vein cutting the core at an acute angle, with a true thickness of approximately 5 centimeters; the vein orientation is interpreted to be almost vertical with a northerly strike. Follow up drilling to CD25 in the summer did not intersect significant radioactivity, but the zone is still considered to be open along strike to the north.

The prospectivity of the east end of the 97H conductor, in proximity to the 97G zone, was improved with drill hole CD33. This hole intersected weak but anomalous uranium throughout much of the Athabasca Group sandstone column.

Diamond drilling at Darby in 2008 was successful in advancing two other target areas; the 95B conductor, and the east end of the 95D conductor. At 95B in the central part of the Darby property, drill hole DB30R contributed to the interpretation of structure and stratigraphy. Also, the prospectivity of the east end of the 95D conductor, in the northeast part of the Darby property, has been upgraded by drill hole DB27, which intersected anomalous geochemistry in basal sandstone above graphitic pelitic gneiss in the basement, and a 0.3 meter interval in the basement that assayed 0.12% U<sub>3</sub>O<sub>8</sub>.

A total of 2,726 meters of drilling was completed on Darby and Candle in four drill holes during the first quarter of 2009. No significant mineralization was observed in the core, however, weakly anomalous radioactivity and graphitic pelitic gneisses in the basement were intersected and require follow-up exploration.

#### Waterfound Property

In 2003 and 2005 the Company staked the 4,124 hectare Waterfound Property. This property is located 55 kilometres north of the Darby-Candle properties.

In May to June 2006, a total of 2,275 meters was drilled in four holes at Waterfound. All four holes encountered anomalous radioactivity in proximity to the Athabasca Group unconformity. Hole WF07 intersected a 0.85 meter mineralized core interval, immediately below the unconformity, that assayed 0.07% U<sub>3</sub>O<sub>8</sub>, including a 0.2 meter interval of 0.18% U<sub>3</sub>O<sub>8</sub>. These are the highest uranium values obtained at Waterfound to date. Also in October 2006, a 26 line kilometer resistivity survey was completed at Waterfound with the purpose of helping to refine drill targets.

In October 2007, a total of 3,080 meters of diamond drilling was completed in six holes at Waterfound. Five holes were completed to target depths and each intersected anomalous uranium in proximity to the Athabasca Group unconformity. The most significant intersections included 1.6 meters (450.6-452.2 meters) of 100 ppm U, including 0.1 meters (451.5-451.6 meters) of 598 ppm U, in drill hole WF12, and 1.2 meters (435.6-436.8 meters) of 173 ppm U in drill hole WF13. The primary objective of the October 2007 diamond drill holes was to test several ground geophysical (DC-resistivity) anomalies. One hole (WF10R) intersected significant sandstone alteration, consistent with the position of a DC-resistivity anomaly. Additional drilling is required.

#### Lynx Lake Property

In 2004, the Company acquired the Lynx Lake mineral claim totaling approximately 1,274 hectares by way of staking. The property is located 35 kilometers southwest of the Company's Darby-Candle properties.

An airborne magnetic-electromagnetic MEGATEM survey that totalled 102 line-kilometers was completed over the property in 2005. A 26 line-kilometer fixed-loop electromagnetic survey was completed at Lynx Lake in March 2007.

#### Moon Lake Property

In 2003 and 2004 the Company acquired contiguous mineral claims of approximately 1,637 and 2,953 hectares, respectively, by way of staking. The 4,590 hectare Moon Lake property is 55 kilometers southwest of the Darby-Candle properties and one kilometer east of Cameco's Millennium deposit.

A 1,323 meter program of diamond drilling in two drill holes was completed at Moon Lake in August 2008. No significant radioactivity or alteration was intersected in either of the two drill holes.

The Company also holds a 3% net smelter royalty on two claims, S-107557 and S-107558, adjacent to the Moon Lake property. CanAlaska Ventures Ltd., the owner of the claims, can purchase 1% of the net smelter royalty for \$1,500,000. Uranium One has a 45.5% interest in the NSR on that portion of the two claims within one kilometer of the Moon Lake Property.

#### **Athabasca Basin Properties, Saskatchewan - 100% Owned Properties**

The Company has four 100% owned exploration properties in the eastern Athabasca Basin, Saskatchewan, that are prospective for uranium. The four properties, Fireweed, Gumboot, Fisher and Weasel, total approximately 19,309 hectares, and were acquired by way of staking.

The Fireweed property (10,921 hectares) is located 15 kilometers northwest of the Company's Darby-Candle properties and was acquired in October 2004. The Gumboot property (4,196 hectares) is located 20 kilometers north of the Company's Darby-Candle properties and was acquired in November 2004.

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. In September 2006, a 473 line kilometer airborne magnetic survey was completed over the property and a ground fixed-loop electromagnetic survey was completed in February 2007.

In 2007, a total of 2,892 meters was drilled in four holes at Gumboot and a total of 1,706 meters in two holes was drilled at Fireweed. Anomalous uranium was intersected in proximity to the Athabasca Group unconformity in two holes at Gumboot. Hole GB01 intersected a 1.75 meter interval in sandstone that averaged 0.04%  $U_3O_8$ , including 0.3 meter of 0.10%  $U_3O_8$ . Hole GB02 intersected a 2.2 meter interval, also in sandstone, that averaged 0.03%  $U_3O_8$ , including 0.3 meter of 0.07%  $U_3O_8$ . Anomalous quantities of numerous other metals are associated with these intersections at Gumboot including nickel to 0.43%, cobalt to 0.13% and arsenic to 1.01%. These metals are often associated with high grade Athabasca deposits. Narrow intervals of weakly anomalous uranium in basement units were recorded at Fireweed (to 36 ppm U).

In 2008, one hole (GB04) was drilled at Gumboot and intersected a zone of 0.09%  $U_3O_8$  over 0.2 meter between 668.3 and 668.5 meters within a 35 meter interval of anomalous radioactivity immediately above the unconformity. However, much of the core in this 35 meter interval was not recovered, due to poor ground conditions, and the uranium content could not be determined.

During February and March 2009, 2,981 meters of drilling was completed in four holes on the Gumboot property. Significant zones of strong fracturing and alteration in proximity to the unconformity were intersected in all holes. Uranium mineralization to 0.11%  $U_3O_8$  over 4.2 meters, including 2.06%  $U_3O_8$  over 0.1 meter, was intersected in hole GB07. High assays for other metals, including nickel to 10.8%, cobalt to 4.60%, and silver to 52 g/t, were also encountered. A gravity survey over the conductive zone was also completed.

During the period June to August, 2009, six core drill holes totaling 4,550 meters were completed at Gumboot. Five of the holes were drilled near the mineralized area, and one was drilled 800 meters to the north. Five of the six, including the hole drilled 800 meters north, encountered significant intervals of moderate to strong sandstone alteration. Drill hole GB10, located 60 m south of GB07, intersected 1.2 meter averaging 0.17%  $U_3O_8$ , 2.84% Ni and 0.16% Co. One of the samples in the 1.2 meter interval contained 0.66%  $U_3O_8$  over 0.3 meter.

In April 2009, the Company acquired the 843 hectare Weasel property by way of staking. Weasel is contiguous with the southwest part of the Company's Darby property.

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As of September 30, 2009 and December 31 2008, the Company spent a total of \$4,036,319 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 properties have now been optioned to JOGMEC and are described in the following section.

**Athabasca Basin Properties, Saskatchewan - 100% Owned properties**

	September 30, 2009	December 31, 2008
Fireweed	\$ 812,206	\$ 811,786
Gumboot	3,020,045	1,139,094
Fisher	124,660	116,785
Marten	35,705	135,705
Wolverine	43,703	143,703
	<b>\$ 4,036,319</b>	<b>\$ 2,347,073</b>

**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.

A helicopter-borne electromagnetic and magnetic survey consisting of 1,097 line kilometers was completed on the Marten and Wolverine properties in September 2008. The survey was designed to help map basement lithology and structure and to test for conductors.

On March 11, 2009, the Wolverine and Marten properties were optioned to JOGMEC. JOGMEC can acquire a 50% interest in the properties by paying Pitchstone \$200,000 (received) as an initial contribution for prior expenditures and spending \$1,800,000 in exploration on the properties by March 31, 2012. Pitchstone will be the initial operator with respect to the work to be carried out on the properties.

As of September 30, 2009, the expenditures on Wolverine and Marten were \$7,029 and \$5,098, respectively.

**Athabasca Basin Properties, Saskatchewan - Johnston Lake Property, Denison Option**

On March 18, 2009, the Company entered into a Letter Agreement with 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 operator with respect to the work to be carried out on the property. As of September 30, 2009, the Company spent a total of \$51,476 on the Johnston Lake property.

**Hornby Bay Basin Properties, Nunavut and – Triex Joint Venture**

On May 9, 2005, the Company entered into a 50:50 joint venture with Triex to explore the Mountain Lake, West Dismal, and Leith properties, located in the Hornby Bay Basin of Nunavut and Northwest Territories. The Mountain Lake uranium deposit contains a N.I. 43-101 compliant Inferred Mineral Resource of 8.2 million pounds of U<sub>3</sub>O<sub>8</sub> with an average grade of 0.23% U<sub>3</sub>O<sub>8</sub>, contained in 1.6 million tonnes of rock.

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In April 2006, two claim blocks totalling 59,760 hectares, the Dismal Lake property and part of the Mountain Lake property, were optioned by the Company and Triex from Ur-Energy Inc. ("URE") and Patrician Diamonds Inc. ("Patrician"). 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 vendor will retain a 5% net smelter return royalty half of which the Company and Triex have the right to purchase for \$2.5 million.

During the third quarter of 2007, the drill program was completed with 2,818 meters drilled in 11 holes of which 3 holes were at Mountain Lake and 8 holes were at Dismal Lake. In 2008, a total of 3,172 meters in 13 drill holes was completed. Seven of the drill holes were located on the Mountain Lake property, three on the Dismal Lake property and three on the Kendall River property. No significant radioactivity was observed in any of the drill holes. Ohm Mapper geophysical surveying was completed on the Mountain Lake and Dismal Lakes properties.

No exploration was conducted on the Hornby Bay Basin properties in 2009 to September 30.

Partly as a result of the expiration of permits and the intentional lapse of some claims, the Company has written down a total of \$1,622,193 in Hornby Bay property exploration expenditures as of September 30, 2009 (\$1,345,149 in the current quarter).

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), and initially comprised eight mineral claims totaling 6,647 hectares. In 2006, the Company and Triex acquired an additional 41 claims (38,544 hectares) contiguous with the original Mountain Lake property from URE.

On the Mountain Lake property, the Mountain Lake deposit contains an estimated Inferred Mineral Resource of 8.2 million pounds  $U_3O_8$ , with an average grade of 0.23%  $U_3O_8$ , contained in 1.6 million tonnes of rock, at depths between 28 and 136 meters (see the NI 43-101 compliant Mineral Resource estimate report filed on [www.sedar.com](http://www.sedar.com) for more details). Two types of mineralization have been recognized to date; dominantly stratabound sandstone-hosted and minor discordant fracture filling mineralization. Fracture controlled mineralization included an intersection of 5.19%  $U_3O_8$  over a 0.9 meter core interval.

During 2006, diamond drill holes on the Mountain Lake property confirmed the mineralization within the main deposit and extended it at shallow depth to the southwest under Fran Lake. During 2007, three additional holes were drilled at Mountain Lake. Seven holes totaling 1,654 meters were drilled in 2008 at the Mountain Lake property. Four of these were drilled at the Helmut Lake target north of the Mountain Lake deposit, three of which were completed to designed depths. The other three were drilled at the Jenny Lake target area northwest of the Mountain Lake deposit. No significant radioactivity was observed.

During the third quarter of 2009, the Company wrote down \$500,000 of mineral exploration expenditures on the Mountain Lake property.

West Dismal Property

In 2005, Triex was granted seven prospecting permits comprising 105,097 hectares (West Dismal property) in the Northwest Territories and Nunavut for uranium exploration. 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 were 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 intentional lapse of some claims, a large portion of the West Dismal lands was no longer held by the Joint Venture. The only portion of the West Dismal property that remains is located in Nunavut and is called the Sandy Creek property. During 2008, the Company wrote down \$307,616 on West Dismal properties. In the third quarter of 2009, the Company wrote down the remaining balance of \$45,150.

#### Leith Property

In 2005, Triex was granted two prospecting permits for uranium exploration, the Leith property, comprising 32,722 hectares in the Northwest Territories. These permits were situated approximately 400 kilometers northwest of Yellowknife.

In September 2006, a 700 line kilometer GEOTEM (magnetic and electromagnetics) survey was flown at 400 meters line spacing by Fugro Airborne Surveys over the property. These permits expired early in 2008. As a result, \$70,487 of the mineral property costs were written-off in the first quarter of 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.

During the summer of 2007, a total of 2,341 meters were drilled in eight holes at the Dismal Lake Property; no significant radioactivity was encountered. Ohm Mapper surveying and additional soil sampling were also completed. In 2008, a total of 752.9 meters in three drill holes was completed at Dismal Lakes; no significant radioactivity was observed in any of the drill holes.

During the third quarter of 2009, the Company wrote down \$400,000 of mineral property costs on the Dismal Lake property.

#### Kendall River Property

In 2006 the Company and Triex acquired four 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. A discrete dispersion train of radioactive boulders on the property had never been investigated by drilling.

During 2007 exploration on the Kendall River property included Ohm Mapper surveying and soil sampling. A total of 762.3 meters was completed in three drill holes on the property in 2008. No significant radioactivity was observed in any of the drill holes.

During the third quarter of 2009, the Company wrote down \$300,000 on Kendall River property.

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Triex is the operator of these properties. No exploration activities on the Hornby Bay Basin properties were completed during the third quarter of 2009. As of September 30, 2009, the Company spent a total of \$5,019,152 on the joint venture properties and wrote down \$1,622,193 of the mineral property costs.

**Hornby Bay Basin Properties, Nunavut - Triex Joint Venture**

	<b>September 30, 2009</b>		December 31, 2008
Mountain Lake Property	<b>\$</b>	<b>1,930,808</b>	\$ 1,930,808
Mountain Lake – URE		<b>675,636</b>	675,636
West Dismal Property		<b>418,675</b>	418,675
Leith Property		<b>70,487</b>	70,487
Dismal Lake - Patrician		<b>510,075</b>	510,075
Dismal Lake - URE		<b>853,749</b>	853,749
Kendall River Property		<b>559,722</b>	559,722
		<b>5,019,152</b>	5,019,152
Mineral property write-downs		<b>(1,622,193)</b>	(377,044)
	<b>\$</b>	<b>3,396,959</b>	\$ 4,642,108

**Gabon Optioned Properties, Africa**

On June 12, 2006, the Company together with Cameco Corporation ("Cameco") finalized a Letter Agreement 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.

A 13,352 line kilometer airborne magnetic and radiometric survey of approximately 170,000 hectares of the property was completed in July, 2007. Reconnaissance geochemical surveying, two Transient Audio Magneto-Telluric test lines that totalled 75 line kilometers, stream sediment sampling and prospecting were also completed in 2007.

During 2008 a sampling, geological mapping and prospecting program was conducted to follow up anomalous areas within various parts of the licenses. A total of 338 stream sediment and 326 rock samples were collected and analyzed. Also in 2008, an 877 line kilometer, helicopter-borne electromagnetic survey was completed on part of the license area.

During the third quarter of 2009, the Company elected not to participate in further exploration in Gabon and the Company wrote off all (\$677,255) of its expenditures in Gabon as a result.

**Namibia Optioned Properties, Africa**

The Company entered into a Letter Agreement on January 18, 2007 with Manica to acquire a 51% interest in three uranium exploration properties in Namibia, Africa. The initial option would 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).

Once the initial option had been exercised, the Company would have additional options to earn further interests in the properties, to a total of 80%. In addition, on April 20, 2007, the Company issued 15,000 common shares to Manica, for a right of first refusal on any new uranium licenses acquired in Namibia by Manica.

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.

In 2008, a program of geological mapping, prospecting and lithogeochemistry was completed at Kaoko, and a program of radon sampling was completed at the Dome property. During the period November, 2008 to February, 2009, an initial drill test of a Rössing style, granite-hosted uranium target on the Dome property, was completed. The program totalled 1,294 meters in eight drill holes. Several drill holes confirmed the presence of favourable stratigraphy. Weakly anomalous radioactivity was observed in several holes and one hole intersected leucogranite ("alaskite") similar to that which hosts uranium mineralization at Rössing. No significant uranium mineralization was observed.

A program of scintillometer prospecting was completed on the northern part of the Dome property (Dome North) in the first quarter of 2009. The program was successful in locating uranium mineralization exposed intermittently on surface along a 2.5 kilometer long dry drainage channel. A 128 line kilometer program of ground electromagnetic geophysics (EM34) was completed to help locate paleochannels and define drilling targets.

During September, 2009, a total of 734 meters of reverse circulation (RC) drilling was completed in 37 holes at Dome North to follow up on the uranium mineralization discovered with scintillometer prospecting, and to test other targets. Uranium mineralization was encountered in two drill holes, DN11 and DN23, with the best result being 1.0 meter averaging 352 ppm U<sub>3</sub>O<sub>8</sub> and 66 ppm V in DN23.

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 funding 100% of the 2009 exploration costs and as a result the participating interests are currently 60.28% for the Company and 39.72% for Manica.

The anniversary date for the Nakop licences was July 18, 2008 and the licenses were not renewed. In 2008, the Company wrote off \$184,032 on the Namibia properties as a result of the expiration of the Nakop licenses.

As of September 30, 2009 and December 31, 2008, the Company had spent \$1,239,770 (including the \$184,032 write-off) and \$820,320, respectively, on the Namibia joint venture properties.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2009, the Company had \$5,239,190 in cash and cash equivalents and working capital of \$5,120,423 (December 31, 2008, \$7,956,118 and \$7,784,046, respectively). 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 at the beginning of the third quarter. 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 to July 3, 2010 and at an exercise price thereafter of \$0.80 until July 3, 2011.

During the third quarter 2009, the Company spent \$1,119,548 on exploration compared to \$1,532,618 in the same period of 2008.

The Company's authorized share capital consists of an unlimited number of common shares without par value. At the end of the third quarter 2009, the Company had 35,047,285 issued and outstanding common shares. As of the date of this MD&A the Company had 35,047,285 common shares issued and outstanding.

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant. Options vest on the grant date unless determined otherwise by the Board of Directors.

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In 2008, the Company granted 635,000 new stock options at exercise 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 with the exercise price of \$2.90. In addition, with the approval of disinterested shareholders, the Company repriced 1,177,500 options that were granted at prices greater than \$1.00 to a new exercise price of \$0.23. During 2009, 80,000 stock options with an exercise price of \$1.07 expired, 15,000 stock options were donated at exercise price of \$0.42, and 77,500 stock options were exercised.

At the end of the third quarter of 2009, the Company has 2,410,000 options outstanding at a weighted average price of \$0.37 per share. If all the remaining outstanding options were exercised, it would increase the Company's available cash by \$880,650.

In the first quarter of 2009, 500,000 warrants with an exercise price of \$3.75 expired. The Company has 1,525,000 warrants outstanding as of September 30, 2009. If all the outstanding warrants were exercised in the first year, it would increase the Company's available cash by \$915,000. If all the outstanding warrants were exercised in the second year, it would increase the Company's available cash by \$1,220,000.

As of the date of this MD&A the Company had 38,982,285 common shares outstanding on a fully diluted basis.

#### **TRANSACTIONS WITH RELATED PARTIES**

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

- a) During the nine month period ended September 30, 2009, the Company paid fees of \$45,000 (2008: \$47,500) to a company of which the Chief Financial Officer is the President and a Director. As of September 30, 2009, \$5,250 (2008: \$5,250) was owed to that company.
- b) During the nine months period ended September 30, 2009, the Company incurred directors' fees of \$5,200 to non-executive directors (2008: \$10,500). As of September 30, 2009, \$Nil (2008: \$14,995) 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.

#### **COMMITMENTS**

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

#### **OFF BALANCE SHEET ARRANGEMENTS**

There are no Off Balance Sheet arrangements at this time.

#### **PROPOSED TRANSACTIONS**

There are no proposed transactions at this time.

#### **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.

*(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.

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.

**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 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 January 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.

**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 rate 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 cash equivalents 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 operation period. The Company does not have any asset-backed commercial paper in its short-term investments. The Company's GST 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. 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.

### **MANAGEMENT OF CAPITAL RISK**

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. 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 annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are 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 of 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 out its exploration plans and operations through 2009 and to the end of 2010.

### **RISKS AND UNCERTAINTIES**

The Company's financial success will be dependent upon the discovery or acquisition of Mineral Resources, and the economic viability of developing its properties. The market price of minerals and/or metals is volatile

and cannot be controlled. There is no assurance that the Company's mineral exploration activities will be successful. The exploration of mineral properties involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company has no source of financing other than those identified in the previous sections.

The following are some of the key risks and uncertainties identified, however, there may be other risks and uncertainties that have not been listed:

- the high degree of volatility in the price of uranium;
- the demand for uranium can be dependent on the public's acceptance of the use of nuclear power;
- the Company has a limited operating history and must be considered a start-up company;
- the performance of the Company will largely depend on the performance of certain key officers, consultants and employees;
- title to properties can be cancelled, challenged or impugned;
- the Company may be required to consult with First Nations Peoples in order to ensure necessary land use rights;
- certain officers and directors of the Company are associated with other natural resource companies which may give rise to conflicts of interest;
- the Company's exploration plans will require substantial additional financing and such financing may not be available on a timely and reasonable basis;
- the exploration business is highly speculative;
- the Company's ability to conduct exploration may be restricted by the unavailability of equipment and qualified personnel;
- geology is an inexact science subject to differing interpretations that could affect the success of any exploration or development program;
- access to the Company's properties may be restricted by weather conditions, forest fires, blockades, the inability to obtain land use permits on a timely basis, or other factors beyond the Company's control;
- substantial additional expenditures will be required to establish Mineral Resources or Mineral Reserves on mineral properties, if any Mineral Resources or Mineral Reserves exist;
- there are many potential barriers in developing a property prior to it becoming a commercial producing operation;
- the rights to the Company's mineral properties must be maintained in accordance with many regulations and agreements;
- there is increasing competition to acquire mineral properties throughout the world;
- the Company's joint venture or option agreements are subject to decisions made by its partners;
- exploration programs and budgets are subject to the concurrence of joint venture partners;
- various factors could impede the Company's ability to expend flow-through funding;
- the Company can not insure against all potential risks;
- there are many varied governmental and other regulations that must be followed which are constantly changing;
- there are many environmental regulations to comply with and such regulations are changing frequently;
- various regulations and interest groups may limit the Company's ability to conduct exploration and development activities, and
- the directors and officers own a control position of the shares that may allow them to affect certain corporate actions.

## **OUTLOOK**

In the Athabasca Basin, Saskatchewan, the drilling program initiated at the Gumboot property in June 2009 was completed in August. A total of 4,550 meters was completed in six holes during this program. Significant alteration and high metals values were encountered in most holes. Two holes contained significant uranium, nickel and cobalt mineralization and further drilling is warranted. Additional exploration is planned in 2010 on Gumboot as well as the Darby and Candle properties.

Exploration expenditures in the near future on the properties in the Hornby Bay Basin are expected to be relatively minor.

In Namibia, intervals of uranium mineralization were encountered during a reverse circulation drilling program. Additional geophysics is planned for the area and this will be followed by more drilling.

The Company's long term focus continues to be the discovery of economic uranium deposits and with its current cash position of approximately \$5.2 million, it is well positioned to continue to work towards this goal.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

#### *Changes in Internal Control Over Financial Reporting ("ICFR")*

No changes occurred in the third quarter in the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

Steve Blower, P.Geol., President of Pitchstone, is the Qualified Person for the purposes of NI 43-101 with respect to the geological information in this document. Sample preparation and analyses on rock samples from Pitchstone operated properties in Saskatchewan were completed by SRC Geoanalytical Laboratories, (SRC) Saskatoon. A partial digestion with fluorimetric analysis was used for SRC's uranium determinations. All samples containing greater than 100 ppm U were re-analyzed with ICP. Pitchstone utilizes internally and externally submitted standard reference materials for quality assurance and quality control in the preparation and analyses of samples from Saskatchewan properties.

### **FORWARD LOOKING STATEMENTS**

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "plans" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.