

**Pancontinental Uranium Corporation**  
(An exploration stage company)

**Consolidated Financial Statements**

**For the Years Ended December 31, 2010 and 2009**

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Pancontinental Uranium Corporation

We have audited the accompanying consolidated financial statements of Pancontinental Uranium Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2010 and 2009, and the results of its financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Toronto LLP*

Licensed Public Accountants  
Chartered Accountants  
April 27, 2011  
Toronto, Ontario



**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Consolidated Statements of Operations and Deficit**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Expenses</b>		
Amortization	\$ 1,364	\$ 1,486
Consulting fees (note 10)	6,322	282
Filing and transfer agent fees	21,569	18,899
General and administrative	15,506	21,067
Management fees (note 10)	144,000	130,500
Professional fees (note 10)	86,612	73,577
Property investigation costs	14,100	111
Rent (note 10)	8,400	8,700
Salaries and benefits	26,243	26,659
Shareholder relations and promotion	80,345	95,629
Stock-based compensation (notes 7 & 9)	28,565	216,555
Travel	891	14,049
<b>Loss before other items</b>	<b>433,917</b>	<b>607,514</b>
<b>Other Items</b>		
Interest income	6,703	79,710
Foreign exchange gain (loss)	10,173	(19,158)
Gain on sale of equipment	-	9,278
Write-off of mineral properties (note 5)	(209,825)	(96,217)
	<b>(192,949)</b>	<b>(26,387)</b>
<b>Net loss</b>	<b>(626,866)</b>	<b>(633,901)</b>
<b>Deficit, beginning of year</b>	<b>(6,722,726)</b>	<b>(6,088,825)</b>
<b>Deficit, end of year</b>	<b>(7,349,592)</b>	<b>(6,722,726)</b>
Basic and diluted loss per share (note 11)	\$ (0.01)	\$ (0.01)

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net loss	\$ (626,866)	\$ (633,901)
Items not involving cash		
Amortization	1,364	1,486
Stock-based compensation	28,565	216,555
Write-off of mineral properties	209,825	96,217
Gain on sale of equipment	-	(9,278)
	<b>(387,112)</b>	<b>(328,921)</b>
Net changes in non-cash working capital		
Receivables	(46,342)	(33,063)
Prepaid expenses	12,003	(14,286)
Accounts payable and accrued liabilities	98,287	24,458
Accrued interest on term deposits	4,027	51,371
	<b>(319,137)</b>	<b>(300,441)</b>
<b>Investing</b>		
Mineral properties	(2,944,888)	(2,658,792)
Purchase of term deposits	-	(3,000,000)
Redemption of term deposit	3,000,000	5,950,000
Proceeds from sale of equipment	-	33,134
	<b>55,112</b>	<b>324,342</b>
<b>Financing</b>		
Issuance of common shares and warrants	625,000	-
Share issuance costs	(14,303)	-
	<b>610,697</b>	<b>-</b>
<b>Net change in cash</b>	<b>346,672</b>	<b>23,901</b>
<b>Cash, beginning of year</b>	<b>279,377</b>	<b>255,476</b>
<b>Cash, end of year</b>	<b>\$ 626,049</b>	<b>\$ 279,377</b>

## **1. NATURE OF OPERATIONS**

Pancontinental Uranium Corporation "the Company" is an exploration stage company. The Company's principal business activities involve the acquisition, exploration and development of rare earth element ("REE") and uranium mineral properties that it believes may contain mineralization that will be economically recoverable in the future.

The Company has been in the development stage since its inception as it has not yet established whether its mineral properties contain reserves that are economically recoverable. The success and continuation of the Company as a going concern and recovery of amounts capitalized for mineral properties on the balance sheet is dependent upon the Company discovering economically recoverable mineral deposits, the ability of the Company to obtain the necessary financing to complete exploration and/or development of the properties, and upon future profitable production or proceeds from the disposition of the properties. To date, there has been no revenue from exploration activities.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Panconoz Pty Ltd, an Australian company, and Maya Gold Corporation S.A. de C.V., an inactive Honduras company, as well as its proportionate share of the accounts of Crosscontinental Uranium Limited ("Crosscontinental") and the Australian Joint Venture ("the Joint Venture"). All significant inter-company transactions and balances have been eliminated upon consolidation.

### **Financial Instruments - Recognition and Measurement**

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income or loss in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held-for-trading
Term deposits	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Financial Instruments - Recognition and Measurement (cont'd)**

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

The Company had no other comprehensive income or loss transactions during the years ended December 31, 2010 and 2009. Accordingly, a statement of comprehensive income has not been prepared.

**Investment in Joint Ventures**

The investments in Crosscontinental and the Joint Venture, companies under joint control, are accounted for using proportionate consolidation.

**Use of Estimates**

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The most significant estimates and assumptions include those related to the valuation of mineral properties, and stock-based compensation. Actual results could differ from those estimates.

**Mineral Properties**

The Company records its interest in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are deferred on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, or management has determined there to be an impairment. If the property is placed into production, deferred costs would be amortized on the basis of units produced in relation to the proven and probable reserves estimated on the related property. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Mineral properties which are sold after the property reaches the production stage will have a gain or loss calculated based on the portion of that property sold. Acquisition costs and related deferred costs would be written off if specific claim blocks or areas of geological interest are disproved, sold, abandoned or management has determined there to be an impairment.

The amounts shown for mineral properties represent costs incurred to date, less write-downs, and do not necessarily reflect the present or future values of the particular properties. The recovery of amounts capitalized for mineral properties on the balance sheet is dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to obtain the necessary financing to complete exploration and/or development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as potential for problems arising from frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Equipment**

Equipment is amortized on the declining balance method at the following rates per annum:

Computer equipment	45%
Exploration equipment	20%
Office equipment	20%

**Long-Lived Assets**

Long-lived assets, which consists of equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

If the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived assets exceeds its fair value.

**Asset Retirement Obligations**

The Company recognizes the fair value of the liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made, in which case the carrying amount of the related long-lived asset is increased by the same amount as the liability. As at December 31, 2010 and 2009 the Company has not incurred and is not committed to any asset retirement obligations in respect of its mineral properties.

**Revenue Recognition**

Investment income is recorded on an accrual basis, as earned.

**Stock-based Compensation**

The Company accounts for stock-based compensation using the fair value based method. The fair value of stock-based compensation is determined by using the Black-Scholes option pricing model. The fair value of stock options is recognized as stock-based compensation expense over the option vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when the stock options are exercised. Any consideration paid on the exercise of stock options is credited to capital stock.

**Other Stock-based Payments**

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date or the fair value of the services provided, whichever is considered more reliable.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Foreign Currency Translation**

The Company's functional currency is the Canadian dollar. The accounts of its subsidiaries and its proportionate share of the accounts of its joint ventures, which are integrated operations, are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities resulting from foreign currency transactions are translated in Canadian dollars at year-end exchange rates and non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the rates of exchange prevailing on the dates such items are recognized in the statement of operations, except for amortization of equipment which is translated at the same rate as the assets to which it relates. Gains and losses on translation are included in the statement of operations.

**Income Taxes**

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are expected to reverse. The effect on future income tax assets and liabilities resulting from a change in tax rates is included in income in the year in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

**Loss Per Share**

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of outstanding common shares during the year. Dilution is calculated based on the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to purchase common shares at the weighted average market price in the period, using the treasury stock method.

### **3. FUTURE ACCOUNTING PRONOUNCEMENTS**

(a) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed plans to converge GAAP with International Financial Reporting Standards over a transition period to be effective for interim and annual periods commencing January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for fiscal 2010, where applicable. In conjunction with the transition to IFRS the Company will need to prepare an opening balance sheet as at January 1, 2010 in accordance with IFRS. Significant differences between IFRS and current Canadian GAAP exist in certain matters of recognition, measurement and disclosure. Adopting the new framework may have a material impact on the Company's balance sheets and statements of operation and deficit, however it is not expected to have a material impact on the cash flow statements.

(b) Business Combinations

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27 - Consolidated and Separate Financial Statements. The Company does not expect the adoption of these new standards to have a material impact on its financial statements.

### **4. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and acquisition of other mineral resource properties for the benefit of its shareholders.

As at December 31, 2010, the Company's capital consists of negative working capital in the amount of \$133,687 (2009 - \$2,790,931). Subsequent to year end the Company arranged additional financing as described in note 18.

There were no changes in the Company's management of its capital during the year ended December 31, 2010. The Company is not subject to any externally imposed capital requirements.

In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, comprised of common shares and incentive stock options. The Company has not established quantitative targets for its capital structure and reviews its capital management methods and requirements on an ongoing basis and makes adjustments, accordingly.

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

**5. MINERAL PROPERTIES**

	December 31 2009	Acquisition and Property	Exploration	Write-off	December 31 2010
<b>Australia</b>					
Charley Creek	\$ 1,957,763	\$ 616,559	\$ 1,703,667	\$ -	\$ 4,277,989
Chilling	2,793,000	35,100	550,525	-	3,378,625
Kalabity	488,582	1,548	182,918	-	673,048
Crossland Creek	-	25,097	11,718	(36,815)	-
Other	-	15,502	15	-	15,517
	<b>5,239,345</b>	<b>693,806</b>	<b>2,448,843</b>	<b>(36,815)</b>	<b>8,345,179</b>
<b>Burkina Faso</b>					
Oursi	111,230	-	60	(111,290)	-
Other	56,226	-	5,494	(61,720)	-
	<b>167,456</b>	<b>-</b>	<b>5,554</b>	<b>(173,010)</b>	<b>-</b>
	<b>\$ 5,406,801</b>	<b>\$ 693,806</b>	<b>\$ 2,454,397</b>	<b>\$ (209,825)</b>	<b>\$ 8,345,179</b>

	December 31 2008	Acquisition and Property	Exploration	Write-off	December 31 2009
<b>Australia</b>					
Charley Creek	\$ 908,011	\$ 112,557	\$ 937,195	\$ -	\$ 1,957,763
Chilling	1,401,769	26,487	1,364,744	-	2,793,000
Kalabity	444,787	1,217	42,578	-	488,582
Crossland Creek	-	40,898	55,319	(96,217)	-
	<b>2,754,567</b>	<b>181,159</b>	<b>2,399,836</b>	<b>(96,217)</b>	<b>5,239,345</b>
<b>Burkina Faso</b>					
Oursi	74,525	3,417	33,288	-	111,230
Other	51,619	1,198	3,409	-	56,226
	<b>126,144</b>	<b>4,615</b>	<b>36,697</b>	<b>-</b>	<b>167,456</b>
	<b>\$ 2,880,711</b>	<b>\$ 185,774</b>	<b>\$ 2,436,533</b>	<b>\$ (96,217)</b>	<b>\$ 5,406,801</b>

**Australia**

On February 8, 2007, pursuant to a letter of agreement dated February 14, 2007, the Company formed a joint venture (the "Joint Venture") with Crossland Uranium Mines Limited ("Crossland") to earn a 50% interest in a number of prospective uranium projects held by Crossland, in Australia, together with all uranium prospects that were or subsequently available to, or known by Crossland. On June 30, 2008, the Company and Crossland finalized a joint venture agreement, see note 14 (b). From the formation date of the Joint Venture, the Company was required to contribute AUD8 million, excluding certain joint venture property acquisition costs, over four (4) years, to earn its 50% interest in the Joint Venture.

During 2010, the Company paid Crossland AUD2,208,741 to complete the AUD8 million contribution and has attained its 50% interest in the Joint Venture. Funding of all expenditures are now shared on a proportionate basis. Crossland is the operator of the Joint Venture and is entitled to charge the Company operator costs comprised of a portion of its overhead and equipment usage costs (note 10).

**5. MINERAL PROPERTIES (Cont'd)**

Charley Creek - Northern Territory

The Joint Venture has a 100% interest in seven tenements of the Charley Creek project, encompassing 3,970 square kilometres, one of which is subject to a 3% net smelter royalty ("NSR"). The Joint Venture is in the process of acquiring title to an additional seven tenements having a total area of 1,160 square kilometres.

The Joint Venture can earn a minimum 60% interest in a tenement granted to Western Desert Resources ("WDR"). The project area encompasses 398 square kilometres. The Joint Venture can earn an initial 60% interest in this title by spending a total of AUD500,000 over three years (AUD100,000 minimum expenditures in the first year). After the third year, WDR has the option to participate or reduce to a 20% free carried interest up to completion of a feasibility study. Thereafter, WDR can elect to participate at a 20% interest or receive a 2% NSR. As of December 31, 2010, the Joint Venture has expended approximately AUD28,000.

Chilling - Northern Territory

The Joint Venture has a 100% interest in the Chilling project. The project area encompasses 2,822 square kilometres and is comprised of eight tenements, two of which are subject to a 3% NSR and one of which is subject to a 2% NSR. Two directors of the Company are part of a group that hold the right to one of the 3% NSRs. The Joint Venture is in the process of acquiring title to an additional three tenements having a total area of 1,406 square kilometres.

Kalabity - South Australia

The Joint Venture earned a minimum 60% interest in the Kalabity project by spending AUD500,000 over 4 years. The project area encompasses 125 square kilometres and is comprised of one tenement subject to a 2% NSR. Other parties have the option to participate or reduce interest up to completion of a bankable feasibility study. Thereafter, these other parties can elect to participate or receive a 2% NSR.

Crossland Creek - Western Australia

During the year ended December 31, 2009 Crossland conducted exploration activities on a prospective uranium property referred to as Crossland Creek. It was determined that no further exploration work was warranted at Crossland Creek and all tenements were relinquished. Mineral property expenditures in the amount of \$36,815 (2009 - \$96,217) related to this project were written off during the year ended December 31, 2010.

Other - Northern Australia

On July 1, 2010, the Joint Venture acquired, through the acquisition by Crossland, a subsidiary of Global Geoscience LTD. ("GSC") which holds the Bloodwood and Highland Rocks project, by reimbursing historic costs of AUD30,000. The project encompasses five tenements, consisting of one granted tenement encompassing 172 square kilometres and four tenements encompassing 2,705 square kilometres under application on aboriginal freehold land. GSC has the option to reacquire a 20% interest in the tenements by paying 40% of historic expenditures, exercisable for two years from the date the subsidiary was acquired for the granted tenement, and two years from the date title is granted for each of the tenements under application; or, receive a 2% NSR.

In addition, the Joint Venture has a tenement under application, referred to as Mount Stafford.

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**5. MINERAL PROPERTIES (Cont'd)**

**Burkina Faso**

The Company and Crossland, on March 20, 2007, formed Crosscontinental, a private Canadian company, owned and funded by the Company and Crossland on a 50:50 basis. Crosscontinental was formed to expand the Company's and Crossland's world-wide uranium exploration and development efforts beyond Australia.

As at December 31, 2010, the Company and Crossland have each provided Crosscontinental with advances of AUD350,000 (CAD319,025). Crosscontinental is currently using its funds to finance the acquisition of uranium exploration permits and fund exploration activities in Burkina Faso, a West African nation. The exploration permits are in various stages of receiving government approval.

Due to the uncertainty of this government approval being obtained, mineral property expenditures of \$61,720 were written off during the year ended December 31, 2010.

The Company's 50% proportionate share of the accounts is reported in these financial statements (note 14).

**Oursi Project**

On June 5, 2008 Crosscontinental entered into an agreement with Southern Cross Exploration NL and Longreach Oil Limited to conduct uranium exploration activities on the Oursi Project, comprised of the Agalsa and Tin Dioulaf tenements. Crosscontinental purchased a 20% interest in the tenements and, as a minimum commitment, was obligated to expend an additional AUD100,000 by March 5, 2009. Crosscontinental satisfied the minimum expenditure commitment and has earned a 35% interest and can increase its interest to 50% by electing to expend a further AUD400,000 by June 5, 2011. Upon Crosscontinental attaining a 50% interest, all further expenditures will be shared on a proportionate basis. Crosscontinental is the operator of the venture.

During 2010, Crosscontinental withdrew from this agreement. As a result, mineral expenditures of \$111,290 were written off.

**6. EQUIPMENT**

	Cost	Accumulated Amortization	2010 Net
Computer equipment	\$ 2,158	\$ 2,158	\$ -
Exploration equipment	5,141	2,772	2,369
Office equipment	2,307	1,244	1,063
	<b>\$ 9,606</b>	<b>\$ 6,174</b>	<b>\$ 3,432</b>
	Cost	Accumulated Amortization	2009 Net
Computer equipment	\$ 2,158	\$ 1,652	\$ 506
Exploration equipment	5,141	2,180	2,961
Office equipment	2,307	978	1,329
	<b>\$ 9,606</b>	<b>\$ 4,810</b>	<b>\$ 4,796</b>

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**7. CAPITAL STOCK**

**Authorized**

Unlimited common shares  
 Unlimited preferred shares

**Issued**

	Number of Common Shares	Amount
<b>Balance, December 31, 2008 and 2009</b>	<b>49,806,492</b>	<b>\$ 12,918,448</b>
Shares issued by private placement (i)	5,000,000	625,000
Fair value attributed to warrants (i)	-	(145,193)
Share issuance costs	-	(14,303)
<b>Balance, December 31, 2010</b>	<b>54,806,492</b>	<b>\$ 13,383,952</b>

- (i) On October 22, 2010, the Company issued 5,000,000 units at \$0.125 per unit for gross proceeds of \$625,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.25 expiring on October 22, 2012. The fair value of the warrants was estimated at \$145,193 using the relative fair value method. Under this method the proceeds were allocated to the warrants based on the estimated value of the warrants, using the Black-Scholes pricing model, as a percentage of this Black-Scholes value plus the value of the common shares, based on the market closing price on October 22, 2010.

**Stock Option Plan**

Under the terms of the Stock Option Plan, the Company is authorized to issue up to a maximum of 10% of the issued common shares. The options can be exercisable for up to five years from the date of grant, subject to vesting terms as determined by the Board.

Stock option transactions and the number of stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	3,600,000	\$ 0.61
Options expired	(50,000)	0.95
Options cancelled/repriced	(3,550,000)	0.61
Options granted	3,600,000	0.20
<b>Balance, December 31, 2009</b>	<b>3,600,000</b>	<b>0.20</b>
Options expired	(175,000)	0.20
Options granted	300,000	0.20
<b>Balance, December 31, 2010</b>	<b>3,725,000</b>	<b>\$ 0.20</b>

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**7. CAPITAL STOCK (Cont'd)**

In accordance with the terms of the Company's Stock Option Plan, the Company:

- (a) On February 28, 2009, 50,000 options granted to an officer expired due to the officer's resignation.
- (b) On June 3, 2009, previously granted stock options of 3,550,000 were repriced and extended. In addition 50,000 stock options were granted to an Officer of the Company. Each of these options are exercisable at \$0.20 and expire on June 3, 2014.
- (c) On May 27, 2010, 100,000 stock options previously granted to consultants of the Company expired due to the consultants' resignation.
- (d) On August 30, 2010, granted 300,000 stock options to an employee and consultants of the Company. The options were issued at an exercise price of \$0.20 and expire on August 30, 2015.
- (e) On December 26, 2010, 75,000 of the stock options granted to a consultant of the Company expired due to the consultant's resignation.

All of the stock options granted in 2010 are for a five year term and have vested. The fair value of the options was estimated to be \$26,367 (2009- \$177,339) using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009
Dividend yield	Nil	Nil
Expected volatility	143%	142%
Risk free rate of return	1.53%	2.25%
Expected life of options	3 years	3.76 years

During the year ended December 31, 2010, the Company recognized stock-based compensation expense of \$28,565 (2009 - \$216,555). The offsetting credit was charged to contributed surplus (note 9).

The following is a summary of stock options outstanding at December 31, 2010:

Expiry Date	Number	Exercise Price	Exercisable	Weighted Average Remaining Contractual Life	Unamortized Stock-based Compensation
June 3, 2014	3,500,000	0.20	3,500,000	3.42	\$ -
August 30, 2015	225,000	0.20	225,000	4.66	-
	3,725,000	0.20	3,725,000	3.49	\$ -

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**8. WARRANTS**

Expiry date	No. of Warrants	Exercise Price
October 22, 2012	5,000,000	\$ 0.25

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2010 for valuing 5,000,000 warrants exercisable at \$0.25 each:

Grant Date	October 22, 2010
Expected life in years	2 years
Volatility	77%
Risk-free interest rate	1.39%
Dividend yield	-

**9. CONTRIBUTED SURPLUS**

	2010	2009
Balance, beginning of year	\$ 2,006,806	\$ 1,790,251
Stock-based compensation (note 7)	28,565	216,555
<b>Balance, end of year</b>	<b>\$ 2,035,371</b>	<b>\$ 2,006,806</b>

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year ended December 31, 2010 (year ended December 31, 2009), the Company:

- (a) Paid management fees of \$144,000 (2009 - \$130,500) to an officer and to companies controlled and associated with officers of the Company.
- (b) Paid rent of \$8,400 (2009 - \$8,700) to companies related by virtue of common directors.
- (c) Paid legal fees of \$1,044 (2009 - \$3,322) to a company controlled by a director and a company related by virtue of common directors for legal services provided to the Joint Venture. These amounts are included in mineral properties with the exception of \$589 (2009 - \$2,112) which is included in professional fees.
- (d) Paid \$146,918 (2009 - \$190,022) to a company related by virtue of common directors to reimburse amounts it paid to a company controlled by a director. These amounts are included in mineral properties with the exception of \$4,410 (2009 - \$282) which is included in consulting fees.

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**10. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)**

(e) Paid operator costs comprising of overhead and equipment usage fees for the Joint Venture of \$355,855 (2009 - \$556,133) to a company related by virtue of common directors. These amounts are included in the mineral properties.

(f) In 2009, sold exploration equipment for its original cost of \$33,134 to a company related by virtue of common directors. The related company reacquired the exploration equipment it had previously sold to the Company in 2008.

Included in accounts payable and accruals is \$783,706 (2009 - \$491,032) payable to companies controlled by or associated with directors/officers or companies related by virtue of common directors. This amount includes a payable to Crossland of \$765,395 (2009 - \$480,401).

These transactions, with the exception of "(f)" were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**11. LOSS PER SHARE**

Loss per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the year ended December 31, 2010 was 50,779,095 (2009 - 49,806,492) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the years ended December 31, 2010 and 2009, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti dilutive nature.

**12. SEGMENTED INFORMATION**

	2010	2009
<b>Mineral properties by geographic area</b>		
Australia	\$ 8,345,179	\$ 5,239,345
Burkina Faso	\$ -	\$ 167,456
<b>Equipment by geographic area</b>		
Canada	\$ 1,063	\$ 1,835
Burkina Faso	\$ 2,369	\$ 2,961

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the years ended December 31, 2010 and 2009 were accrued expenses of \$685,325 (2009 - \$482,010) for mineral exploration.

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**14. JOINT VENTURES**

(a) Australian Joint Venture

Pursuant to the Joint Venture agreement between the Company and Crossland which was finalized in June 30, 2008 to conduct exploration and development of the uranium prospects in Australia, the Company earned its 50% interest in the Joint Venture during the year ended December 31, 2010.

The consolidated financial statements include the Company's 50% proportionate share of the joint venture.

	2010	2009
Assets		
Mineral properties	\$ 8,345,179	\$ -
	<b>\$ 8,345,179</b>	<b>\$ -</b>

(b) Crosscontinental Joint Venture

Crosscontinental commenced operations to conduct exploration and development of uranium prospects worldwide, outside of Australia. The consolidated financial statements include the Company's 50% proportionate share of joint venture activities as follows:

	2010	2009
Assets		
Current assets (includes cash of \$86,068; 2009 - \$105,392)	\$ 86,118	\$ 119,698
Mineral properties	-	167,456
Equipment	2,369	2,961
	<b>\$ 88,487</b>	<b>\$ 290,115</b>
Liabilities		
Current liabilities	\$ 5,757	\$ 3,638
	<b>\$ 5,757</b>	<b>\$ 3,638</b>
Revenue	\$ -	\$ 9,278
Expenses	\$ 203,747	\$ 13,127
Net loss	\$ (203,747)	\$ (3,849)
Cash flows from operating activities	\$ (13,761)	\$ (29,538)
Cash flows from financing activities	\$ -	\$ -
Cash flows from investing activities	\$ (5,563)	\$ (12,956)

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**15. INCOME TAXES**

**Provision for Income Taxes**

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 31% (2009 - 31%) were the following:

	2010	2009
<b>Loss before income taxes</b>	<b>\$ 626,866</b>	<b>\$ 633,901</b>
Expected tax recovery at statutory rates	(194,328)	(196,509)
Increase (decrease) resulting from:		
Stock-based compensation	8,855	67,132
Unrecognized benefits of non-capital losses	(14,009)	104,115
Share issuance costs	(8,646)	(5,900)
Other non-deductible expenses	198	551
Change in valuation allowance	219,103	17,515
Other differences	(11,173)	13,096
<b>Income tax</b>	<b>\$ -</b>	<b>\$ -</b>

**Future Income Taxes**

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities are as follows:

	2010	2009
Non-capital losses	\$ 487,206	\$ 380,914
Equipment	1,543	1,202
Share issuance costs	3,207	6,604
Mineral properties in excess of Federal resource tax pools	91,813	(24,054)
Valuation allowance	(583,769)	(364,666)
	<b>\$ -</b>	<b>\$ -</b>

Due to the uncertainty surrounding the realization of income tax assets in future years, the Company has provided a valuation allowance against its future income tax assets.

**Pancontinental Uranium Corporation**  
**(An exploration stage company)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

---

**15. INCOME TAXES (Cont'd)**

**Tax Carry-Forwards**

The Company has \$5,060,357 in Canadian Federal foreign resource tax pools which may be deducted in the calculation of taxable income in future years. These pools can be carried forward indefinitely. In addition, the Company has non-capital losses, which may be deducted in the calculation of taxable income in future years, that will expire, if not utilized, as follows:

	<b>Year of Origin</b>	<b>Year of Expiry</b>	<b>Amount</b>
	2010	2030	\$ 425,169
	2009	2029	335,854
	2008	2028	300,418
	2007	2027	308,616
	2007	2026	207,353
	2006	2025	72,609
	2005	2014	104,409
	2005	2013	194,398
			<b>\$ 1,948,826</b>

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair Value**

The carrying value of cash, term deposits and accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash and term deposits. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable data.

**As at December 31, 2010**

	<b>Level One</b>	<b>Level Two</b>	<b>Level Three</b>
Cash	\$ 626,049	\$ -	\$ -

**As at December 31, 2009**

	<b>Level One</b>	<b>Level Two</b>	<b>Level Three</b>
Cash	\$ 279,377	\$ -	\$ -
Term deposits	\$ -	\$ 3,004,027	\$ -

**Risk Management**

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash and term deposits. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The main risks the Company's financial instruments are exposed to are credit, liquidity, and market risk (including currency and interest rate) discussed below. The Company is also exposed to other risks discussed in note 17.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash, term deposits and receivables. The Company's risk is minimal, since the majority of its cash and term deposits are on deposit with a Canadian chartered bank. In addition, the Company's receivables are refunds due from the Canadian and Australian tax authorities.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

**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 as outlined in note 4 to the consolidated financial statements. The Company has no income from operations and relies on equity funding to support its exploration and corporate activities. Should the need for further equity funding arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price. Subsequent to year end the Company arranged additional financing as described in note 18.

Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within the current operating period. As at December 31, 2010, the Company had total cash and term deposits of \$626,049 (2009 - \$3,283,404) to settle current liabilities of \$845,972 (2009 - \$544,370).

**Market Risk**

Market risk is the risk that may arise from changes in market factors, such as foreign exchange rates, interest rates and price risks.

(a) Foreign currency risk

The Company operates in Canada, Australia and Burkina Faso, giving rise to market risks from changes in foreign exchange rates. The Company has potential future financial commitments denominated in Australian dollars, Central African Francs and United States Dollars. The Company periodically monitors foreign exchange rates, though it has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates. As at December 31, 2010, the Company had the following foreign denominated balances:

	<b>USD</b>	<b>CFA Franc</b>	<b>AUD</b>
Cash	11,673	24,232,713	203,121
Receivables and prepaids	-	-	75,715
Accounts payable and accrued liabilities	-	908,700	752,587

As at December 31, 2009, the Company had the following foreign denominated balances:

	<b>USD</b>	<b>CFA Franc</b>	<b>AUD</b>
Cash	16,764	20,961,575	49
Receivables	-	-	29,277
Accounts payable and accrued liabilities	-	888,956	513,315

A 10% change in the USD will impact profitability by approximately \$1,200, a 10% change in the CFA Franc will impact profitability by approximately \$4,700 and a 10% change in the AUD will impact profitability by approximately \$47,800.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

(b) Interest Rate Risk

Excess cash is invested in financial instruments that provide safety and flexibility for early redemption. Term deposits generally consist of guaranteed investment certificates issued by Canadian banks. As of December 31, 2010, the Company is not exposed to any significant interest rate risk.

**17. OTHER RISKS**

**Price risk**

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is strongly related to: the market price of the primary minerals identified in its mineral properties; market price of the Company's equities; and, general commodity and investor sentiment. Mineral and equity prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in either the prices of the identified primary minerals, the Company's issued equities or investor sentiment could have a negative impact on the Company's ability to raise additional capital. Management monitors the commodity and stock markets to determine the applicable financing strategy to be taken, when needed.

**Political and Other Risks**

The Company's mineral properties are in Australia and Burkina Faso and may potentially expose the Company to risks and different considerations not normally associated with companies or exploration activities in North America. The Company's ability to retain its mineral properties, raise and deploy capital may be adversely affected by changes in governing regimes, policies, laws and regulations, all of which are beyond the Company's control.

**18. SUBSEQUENT EVENTS**

On April 27, 2011, Pancontinental announced the arrangement a non-brokered private placement consisting of up to 12 million units at a price of \$0.26 per unit for gross proceeds of up to \$3,120,000. Each unit will be comprised of one common share and one-half common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share for a period of two years at an exercise price of \$0.40 per share, provided that, if at any time, which is more than four months and one day after the closing date, the volume weighted average trading price of the Company's common shares, as traded on the TSX Venture Exchange, meets or exceeds \$0.60 for twenty (20) consecutive trading days, the Company reserves the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of such notice.

# **PANCONTINENTAL URANIUM CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (for the twelve month period ended December 31, 2010)**

**April 27, 2011**

### **INTRODUCTION**

The following management's discussion and analysis ("MD&A") of operating results, financial condition and future prospects of Pancontinental Uranium Corporation ("Pancontinental" or the "Company") should be read in conjunction with Pancontinental's: audited annual consolidated financial statements and related notes for the year ended December 31, 2010; and, audited annual consolidated financial statements and related notes for the year ended December 31, 2009 and related MD&A, dated April 27, 2010. Additional information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at [www.sedar.com](http://www.sedar.com).

Pancontinental's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in the MD&A and in the Company's consolidated financial statements are expressed in Canadian dollars, unless otherwise noted. The Company's investment in Crosscontinental Uranium Limited ("Crosscontinental"), a company under joint control, is accounted for using proportionate consolidation. The consolidated financial statements also include the accounts of Pancontinental's wholly-owned subsidiary Panconoz Pty Ltd ("Panconoz"), an Australian company, and its inactive subsidiary Maya Gold Corporation S.A. de C.V., a Honduras company.

This MD&A and the related audited annual consolidated financial statements and related notes have been reviewed by Pancontinental's audit committee and approved by its Board of Directors.

### **FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements relating to, but not limited to, Pancontinental's assumptions, estimates, expectations and statements that describe Pancontinental's future plans, intentions, beliefs, objectives or goals, that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or anticipated by such forward-looking statements. Factors that could cause such differences, without limiting the generality of the foregoing, include: timing of commencement of exploration activities; failure to establish resources or reserves; changes in conditions of precious and base metal markets; ability to raise capital in equity markets; cost and supply of materials, labour and equipment; environmental approvals and regulations; performance of project operator or joint venture partner; adverse exploration and mining conditions; unexpected or unsatisfactory geological conditions or exploration results; failure or delays in obtaining or retaining necessary permits or approvals; inability to access properties; changes in government and mining policies and regulations; currency and commodity price fluctuations; and other development and exploration risks.

Although we believe that the assumptions, estimates and expectations reflected in our forward-looking statements are reasonable, results may vary, and we cannot guarantee future results, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. Pancontinental disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or other such factors which affect this information, except as required by law.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### **OVERVIEW**

Pancontinental is an exploration stage company, focused on the acquisition, exploration and development of uranium and rare earth element ("REE") properties. The Company is currently participating in REE and uranium exploration activities in Australia and uranium application activities in the West African nation of Burkina Faso, through a joint venture agreement with Crossland Uranium Mines Limited ("Crossland"). The Company has no proven reserves and does not earn any production revenue.

On September 7, 2007, the name of the Company was changed to Pancontinental Uranium Corporation and the Company was continued under the Canada Business Corporations Act (CBCA). The Company was formerly known as Centram Exploration Ltd. On September 10, 2007, the Company began trading as a Tier 2 issuer on the TSX Venture Exchange, under the trading symbol PUC.

#### **JOINT VENTURES**

##### **CROSSLAND URANIUM MINES LIMITED**

###### **Australia**

On February 8, 2007, pursuant to a letter of agreement dated February 14, 2007, Pancontinental formed a joint venture (the "Joint Venture") with Crossland to earn a 50% participating interest (the "Participating Interest") in a number of prospective uranium projects held by Crossland, in Australia, together with all uranium prospects that were or subsequently available to, or known by Crossland. On June 30, 2008, the Company and Crossland finalized a joint venture agreement. From the formation date of the Joint Venture, the Company was required to contribute AUD8 million for exploration purposes (exclusive of certain Joint Venture property acquisition costs) over four (4) years to earn the Participating Interest.

During 2010, Pancontinental paid Crossland AUD2,208,741 to complete the AUD8 million contribution and has earned the Participating Interest. Crossland is, currently, in the process of transferring to Pancontinental a 50% interest in all granted tenements. Funding of expenditures is now shared on a proportionate basis. Crossland acts as operator of the Joint Venture and is entitled to charge operator costs.

###### **Crosscontinental Uranium Limited**

Pursuant to the Joint Venture, Pancontinental and Crossland, on March 20, 2007, formed Crosscontinental, a private Canadian company, owned and funded by the Company and Crossland on a 50:50 basis. Crosscontinental was formed to expand the Company's and Crossland's world-wide uranium exploration and development efforts beyond Australia.

Pancontinental and Crossland have each provided Crosscontinental with advances of AUD350,000 (CAD319,025). Crosscontinental is currently using its funds to finance the acquisition of uranium exploration permits and fund exploration activities in Burkina Faso.

###### **Oursi Project - Burkina Faso**

On June 5, 2008 Crosscontinental entered into a joint venture agreement with Southern Cross Exploration NL and Longreach Oil Limited (the "Optionors") to conduct uranium exploration activities on the Oursi Project (the "Oursi Project Joint Venture"), comprised of the Agalsa and Tin Dioulaf tenements. Crosscontinental purchased a 20% interest in the tenements and satisfied the AUD100,000 minimum expenditure commitment to earn a 35% interest. During 2010, Crosscontinental withdrew from the Oursi Project Joint Venture.

During March 2010, a representation was made by a third party asserting that they hold a legitimate claim to the Oursi Project tenements and contesting the Optionors' rights to joint venture the Oursi Project. No specific claim has been filed against the Company or Crosscontinental.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### **MINERAL EXPLORATION PROPERTIES**

##### **EXPLORATION STRATEGY**

Pancontinental's and Crossland's exploration strategy is to pursue the discovery of major uranium and rare earth elements ("REE") deposits, primarily across the Northern Territory ("NT") of Australia and South Australia, utilizing the extensive experience of the management team at all stages of the mining process in these jurisdictions. Their significant experience, together with the use of modern exploration techniques, improves the likelihood of exploration success. Properties have been selected based on a number of key factors that include choosing projects in areas with a high probability for the discovery of major uranium deposits, particularly in regions where land title issues are minimized and where the development of discoveries could be expected, if exploration proves successful. The focus on factors favourable for uranium deposits has the initially unintended consequence of selecting a region that also has exceptional REE potential, in the case of the Charley Creek Project.

The region of Northern Australia, known as the Pine Creek Orogen, hosts large uranium deposits including Jabiluka, Ranger, Koongarra and Nabarlek in the Alligator Rivers Uranium Field, in addition to Rum Jungle and the South Alligator Valley deposits. The region has a global reputation for large, high-grade uranium deposits, perhaps matched only by the Athabasca Basin of Canada. Crossland has been accumulating its North Australian exploration portfolio since 2002 and commenced exploration in 2003. Pancontinental believes Crossland has the expertise and resources to effectively manage the exploration activities from its operations base in Darwin, Australia.

Central Australia, the area of the Northern Territory centred on Alice Springs, is a region of emerging importance for radioactive minerals and REE. The Pamela sandstone deposit in the Amadeus Basin attracted 38 expressions of interest when applications for exploration were invited by the NT Government in 2007. A joint venture between Cameco and Paladin was the successful applicant for that project, indicating that major uranium producers consider the region to be of importance. This project is in advanced exploration. There are other advanced uranium exploration projects in the Ngalia Basin, to the north west of our Charley Creek Project. The Nolan's Bore Rare Earth Project of Arafura Resources Ltd. is in advanced feasibility studies, and is located approximately 100 kilometres north of Alice Springs, and a similar distance from Charley Creek. Crossland has joined the Australian Uranium Association as an Associate Member to ensure it has a formal voice in the industry in Australia.

Exploration for 2009 and 2010 was focused on the core projects of Chilling and Charley Creek in the Northern Territory.

Based on the positive results from the 2009 drilling activity, Pancontinental and Crossland approved an AUD 3.3 million exploration budget for the 2010 calendar year. This led to a drill program at the Cockroach Dam Prospect at Charley Creek for granite intrusive related (Rossing style) uranium mineralisation within the Teapot Granite, as well as advanced prospect development at Chilling. Drilling targets were selected at Chilling, but the early onset of rains prevented completion of this program in 2010.

In late 2009, Crossland realised that portions of the Teapot Granite also contain anomalous amounts of REE, and by late 2010 a major project was under way to rapidly evaluate the REE potential within the entire area of the Charley Creek Project, some 4,000 plus square kilometres. This new REE direction for the Joint Venture has already produced new prospects and areas where alluvial resources can be quickly evaluated with the aim of rapid exploration and permitting, and a simple path to production.

Pancontinental and Crossland continue to receive offers to participate in other uranium opportunities; evaluation of these opportunities will continue and those deemed exceptional and fitting Pancontinental's strategy may be acquired.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### **EXPLORATION PROJECTS**

##### **Australia**

###### ***Charley Creek – Northern Territory***

The Charley Creek project is located in central Australia, approximately 100 kilometres northwest of Alice Springs and is situated on the southern margin of the North Australian Craton, in a geological setting that is the core of an ancient mountain chain.

The Joint Venture has:

- a 100% interest in ten (10) granted tenements (4,176 sq. kms.), one of which is subject to a 3% net smelter royalty ("NSR"). Three of these tenements were granted subsequent to December 31, 2010;
- entered into a joint venture with Western Desert Resources ("WDR") to earn a 60% interest in one (1) granted tenement (398 sq. kms.) by expending AUD500,000 over three years (AUD100,000 minimum expenditure during the first year). Upon the Joint Venture earning a 60% interest, WDR has the option to participate or reduce to a 20% free carried interest up to completion of a feasibility study. Thereafter, WDR can elect to participate at a 20% interest or receive a 2% NSR. As of December 31, 2010, the Joint Venture has expended approximately AUD28,000; and,
- four (4) tenements under application (954 sq. kms.)

Recent tenement applications have consolidated the Joint Venture's land position to the east of the original Charley Creek Project area, and are considered to be prospective for rare earth deposits of the type sought elsewhere at Charley Creek.

The original Charley Creek property was selected in 2003 using proprietary targeting methods and was subsequently expanded to include extensive areas of the radioactive Teapot Granite, as well as drainages and sediment basins downstream. The project area had not been intensively explored, although outcropping secondary uranium mineralization was recorded from the property. Pancontinental and Crossland believe the area also contains the elements necessary for the formation of sediment-hosted uranium deposits and has additional potential for nickel-platinum and REE deposits that will be evaluated concurrently with uranium exploration.

Targets in the Charley Creek project area include uranium-enriched phases of the Teapot Granite, as well as sediment-hosted uranium deposits, specifically calcrete and redox-related uranium targets. Past exploration has identified uranium occurrences in the Teapot Granite. Other areas within the project are considered prospective for REE deposits, as well as deposits of copper, nickel and platinum. Known uranium occurrences associated with secondary uranium mineralization hosted in the granite returned values up to 0.193% uranium ("U") when sampled in the 1970s. Exploration in the 1970s also measured uranium in water bores around the project area, indicating that uranium is mobile in the groundwater and a deposition site would accumulate this to form calcrete or redox deposits. Targets are either one of the two possible deposit types, or a combination of the two types formed in a single deposit, as is believed to occur elsewhere in the region.

The Teapot Granite outcrops in the western portion of the area, which should provide an ideal source rock for sediment-hosted mineralization in the surrounding fluvial channels. The Teapot Granite intrudes and assimilates older gneissic basement of the Glen Helen Metamorphics, Mesoproterozoic (1,650 – 1,680 Ma) gneisses and schists. The oldest lithology in the area is the Mt. Hay Granulite (over 1,780 Ma), a highly metamorphosed Paleoproterozoic mafic intrusive complex prospective for nickel, copper and platinum, which outcrops significantly in the eastern portion of the property. A portion of this complex lies below the channels.

In 2009 and 2010, the Joint Venture exploration program focused on the Teapot Granite uranium occurrences, where outcropping uranium mineralization has now been observed at scores of localities. It is tempting to draw analogies with the alaskite uranium deposits of Namibia. Spectrometer surveys, rock sampling, and drilling in 2010

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

confirm that elevated uranium values are associated with particular zones within the major phase of the Teapot Granite.

In addition, Crossland recognized that the Teapot Granite also contains phases that are enriched in REE. Preliminary indications are that these are upgraded upon breakdown of the granite by weathering into heavy mineral deposits in alluvium, and that the heavy minerals can be readily recovered by simple physical methods to produce a heavy mineral concentrate with enhanced REE contents. Crossland and Pancontinental are currently evaluating the potential of this deposit style. Recent work has established that, as well as a dominant Monazite heavy mineral species that contains the Light REE, there are high levels of Heavy REE, and these are present in a separate mineral species, Xenotime. This should have advantageous processing implications.

Further exploration in late 2010 has led to the identification of the Cattle Creek REE prospect, where grades of over 1% rare earth oxides were obtained across a 5m interval from 37m deep in a 2008 hole drilled for uranium exploration, CCA121. The mix of REE in this hole was particularly encouraging, with good representation of the heavy REE and Yttrium, commodities in short supply, which will be in demand for renewable energy applications. Work to evaluate this discovery is well under way at the time of writing and new assay results are expected in early May 2011.

Pancontinental's and Crossland's commitment to exploration for uranium and associated elements, particularly at this time REE, in Central Australia makes further acquisitions of prospective ground in the region attractive. The companies' regional presence, logistic support and technical experience in this region allow cost-effective exploration from their existing facilities at Charley Creek.

#### ***Chilling – Northern Territory***

The Chilling project, located in the uranium-rich Pine Creek Orogen geological region, approximately 150 kilometres south of Darwin, has the potential to host large unconformity-related uranium deposits.

The Joint Venture has:

- a 100% interest in eight (8) granted tenements (2,822 sq. kms.), two of which are subject to a 3% net smelter royalty ("NSR") and one of which is subject to a 2% NSR (two directors of Pancontinental and Crossland - Geoff Eupene and Peter Walker - are part of a group that holds the rights to a 3% NSR on one of the tenements); and,
- three (3) tenements under application (1,406 sq. kms.).

In January 2009, title to an exploration license (EL 22738), covering approximately 540 square kilometres on the southern end of the original Chilling project area was granted after a long period under application. This and adjacent areas contain approximately half of the known uranium radiometric anomalies in the project area. Past exploration in the area has been patchy and isolated, despite several other companies' efforts. It is Pancontinental's and Crossland's intention to systematically and comprehensively explore for uranium covering the entire project area.

Targets at Chilling include Alligator Rivers-type, large high-grade, unconformity-related uranium ore bodies. It is the Joint Venture's hypothesis that the Chilling area mirrors the Jabiluka-Ranger-Koongarra corridor of the Alligator Rivers Uranium Field. The area on the western side is in a similar geological setting with high uranium background values and is large enough to include a repetition of the entire corridor. The Joint Venture is particularly interested in the favourable and potentially uranium-bearing structures beneath sandstone cover of the Tolmer Group, which covers the Lower Proterozoic unconformity in the project area.

The Chilling titles cover a significant portion of an arcuate unconformity between Paleoproterozoic (more than 1,850 million years old ("1,850 Ma")) metamorphic basement rocks and less deformed Mesoproterozoic (1,700 Ma or younger) platform sedimentary cover rocks of the Tolmer Group. This unconformity extends north-south for approximately 130 kilometres within the Chilling area and is the most important control for the location of

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

uranium mineralization in the Pine Creek Orogen. The source of the high uranium background values is Archean granite basement, which is exposed in the Rum Jungle and Waterhouse granites, over 20 kilometres to the north-northeast of the project area. It is likely that the Adelaide River Fault System, traversing the area, provided channel ways for uranium-bearing fluids. The Depot Creek Sandstone of the Tolmer Group, which forms the cover rocks, is believed to be stratigraphically equivalent in age to the Kombolgie Sandstone in the Alligator Rivers Uranium Field, and favourable structures at the unconformity surface may form sites for uranium deposition within Chilling. Uranium occurrences are known to outcrop within the project area.

During 2009, rocks that are the stratigraphic equivalent of the basal Paleoproterozoic units at Rum Jungle were identified in the Buchanan Window near the southern extent of the original Chilling Project Area, covering an area in excess of 30 square kilometres. This influenced the acquisition of additional ground referenced above. These sediments contain anomalous values of base metals and uranium in stream and soil samples, and show extensive development of radiometric anomalies over the favourable stratigraphy. The sediments extend below the Tolmer Group at the Buchanan Window. The area represents a prime target for uranium and base metal mineralization and has been a focus area in the 2010 exploration program, with the development of eleven targets for drill testing. These targets were identified during the 2010 field season. But the onset of an early beginning to the wet season prevented drilling of the targets with vehicle mounted equipment, and it was not possible to identify suitable helicopter borne equipment to undertake the program.

#### ***Bloodwood/Highland Rocks – Northern Territory***

The Bloodwood/Highland Rocks project is located approximately 300 kilometres to the northwest of the Joint Venture's flagship Charley Creek project and is prospective for uranium and gold mineralization.

The Joint Venture has acquired a 100% interest, through the acquisition by Crossland of a subsidiary of Global Geoscience Ltd. ("GSC), in one (1) granted tenement (172 sq. kms.) and four (4) tenements under application (2,705 sq. kms.), by reimbursing historic costs of AUD30,000. GSC retains an option: to reacquire a 20% interest in the tenements by paying 40% of historic expenditures, exercisable for two years beginning from the date the last of the tenements is granted; or, receive a 2% NSR.

The Joint Venture widened its Central Australia uranium focus with the acquisition of the Bloodwood/Highland Rocks Project. The addition of the Bloodwood/Highland Rocks Project complements the Joint Venture's Charley Creek Project.

Pancontinental and Crossland were attracted to the Bloodwood-Highland Rocks Project area because:

- The region is highly prospective for uranium mineralization, as demonstrated by the presence of uranium deposits at Napperby and Biglyi, and prospects such as Cockroach Dam, Crystal Creek, and Macallan
- Previous exploration on these areas has been almost exclusively for gold, however limited uranium exploration at Bloodwood has met with early success
- No uranium exploration has been conducted in the area since the 1970's
- Regional airborne surveys would have been ineffective because of thin sand cover over much of the area
- Full coverage using modern geophysical data (magnetics and gravity) allows for targeting of "potentially productive" structures in the underlying basement rocks

Bloodwood features:

- A granted exploration licence on pastoral leasehold land
- Ready for reconnaissance exploration
- An extensive airborne radiometric uranium anomaly which correlates with mapped NNW-trending structures
- Mostly thin residual cover which implies exploration is relatively straightforward.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

- Assays up to 810ppm U<sub>3</sub>O<sub>8</sub> in a shallow drill hole, with elevated radioactivity in outcropping granite porphyry
- No follow-up of these results has been done

Highland Rocks features:

- Four exploration licence applications, located on Aboriginal Freehold Land of the Lake Mackay Land Trust.
- Mostly covered by a thin layer of sand, which implies almost no previous uranium exploration has been conducted
- Modern geophysical data suggests that parts of the area are underlain by granitoid cut by major structures
- Similar rocks and structures host the nearby Macallan uranium prospect held by Energy Metals
- Gold and base metal explorers have identified several zones of multi-element geochemical anomalism (Au, Ag, As, Bi, Cu, Ni, U) in areas of residual cover. These are considered favourable indicators for basement-hosted uranium mineralization.

Field work on the Bloodwood tenement in 2010 was postponed because of excessive rains. A reconnaissance trip will be made in the first half of 2011. A meeting of Traditional Owners to discuss our program on Highland Rocks is expected in June 2011.

#### ***Mount Stafford - Northern Territory***

The Joint Venture has one tenement under application (848 sq. kms). This tenement covers radioactive granitoid rocks that may be prospective for uranium or REE.

#### ***Kalabity – South Australia***

The Kalabity project is located in South Australia, 40 kilometres north of Olary and approximately 100 kilometres west of Broken Hill.

The Joint Venture has, pursuant to a joint venture with Platsearch NL ("Platsearch") and Eaglehawk Geological Consulting Pty Ltd ("Eaglehawk"), earned a minimum 60% interest by expending a minimum AUD500,000. The project area is comprised of one (1) granted tenement (125 sq. kms.). Platsearch and Eaglehawk have the option to participate or reduce their proportionate interest up to completion of a bankable feasibility study. Thereafter, each of these parties can elect to continue participating or convert to a 2% NSR.

Platsearch and Eaglehawk compiled the previous exploration data after applying for the property in 1999. The project lies within the Olary Uranium Field in the southwestern portion of the Curnamona Craton. This is a district of historic uranium and radium mining and contains a variety of known deposit types. Australia's first uranium mine, Radium Hill, lies 50 kilometres to the south. The KR4 prospect within the Kalabity title was discovered in 1985 by prospecting and contains outcropping davidite mineralization, similar to ore mined at Radium Hill. The field also includes the Crocker Well, Mt. Victoria, Spring Hill, Jagged Rocks, Honeymoon and Gould's Dam deposits, in the district surrounding Kalabity.

Targets at Kalabity include granite-related uranium deposits and iron oxide-copper-gold deposits. Since Crossland has commenced exploration it has identified the Tabita uranium prospect, which appears to be a new style of mineralization. In addition to uranium exploration, recent exploration has concentrated on iron oxide-copper-gold deposits of the East Mt. Isa and Olympic Dam style.

The Kalabity project area has moderate bedrock exposure, although significant areas have thin unconsolidated alluvial, colluvial and aeolian cover, usually much less than 20 metres in depth. Calcreted soils form a large portion of the cover.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### **Burkina Faso**

Crosscontinental has applied for a number of uranium exploration permits in the West African nation of Burkina Faso. The permits cover a significant portion of zones that rated well for uranium prospectivity in a 2003 study funded by the European Development Fund. Processing of Crosscontinental's applications is expected to proceed when the government of Burkina Faso has formulated its policy on uranium mining. Burkina Faso borders Niger, the leading uranium producing nation in Africa.

The Company continues to monitor the progress of its uranium permitting activities though, due to the uncertainty of the Burkina Faso government approving Crosscontinental's uranium permit applications, the Company determined that the write-off of all related expenditures was appropriate.

#### **Oursi Project Joint Venture**

Crosscontinental had a 35% interest in the Oursi Project Joint Venture, which consisted of the Tin Dioulaf and Agalsa tenements, located in north-east Burkina Faso. These tenements were granted for uranium exploration and covered a combined area of 500 square kilometres, which included a 50 kilometre strike length of an unconformity structure that is considered to be prospective for uranium deposits. Crosscontinental concluded that results derived from Crosscontinental's exploration activities did not warrant further expenditure. During 2010, Crosscontinental withdrew from the Oursi Project Joint Venture.

### **EXPLORATION ACTIVITIES**

#### **Australia**

##### **Charley Creek**

In August 2008, Pancontinental announced the initial assay results from outcrop samples collected in June 2008. These samples were collected following up on radiometric anomalies delineated from Crossland's detailed airborne radiometric survey completed in January 2008. The airborne survey results indicate that high uranium radioactivity occurs over extensive areas of the Teapot Granite. Of 37 samples, 30 returned chemical uranium values exceeding 100ppm, 19 exceeded 300ppm, while three exceeded 1,000ppm, with a maximum of 2,530ppm, equivalent to approximately 6.6lbs of U<sub>3</sub>O<sub>8</sub> per metric ton. These results confirmed that high chemical values are present in outcrop in association with the surface radiometrics. In outcrop, widespread visible secondary uranium minerals exist on fracture surfaces. Further anomaly follow-up has extended these observations to literally scores of sites. The possibility exists that the values reported are enhanced by surface enrichment. It will be possible to evaluate if this is the case following drilling.

An area of 42 square kilometres in seven sections was earmarked for detailed spectrometer surveys on 25 metre line spacing over anomalous areas identified from airborne work. The detailed ground surveys commenced in January 2009, and extended to mid 2010 over priority areas. This survey of the original area is now complete, but has been extended in places to close gaps between original survey sections where this appears to be justified. Anomaly follow-up and sampling has continued in conjunction with the survey as manpower is available. Crossland has committed substantial resources to this discovery, which has been named the Cockroach Dam Prospect, after a local water point. On November 11, 2009, Pancontinental advised the market of the most recent results of this work. An additional 149 rock chip samples have now been collected to follow up the anomalies identified at the Cockroach Dam Prospect. Over 80% of these samples exceed 32ppm U, a threshold value for geochemical anomalies in the region. Six of the outcrop samples have returned values of over 2,000ppm U, with a maximum value of 4,550ppm U (5,364ppm U<sub>3</sub>O<sub>8</sub>). These values are supported by a strong spread of other elevated results, with a total of 15 samples exceeding 1,000ppm U, 47 exceeding 500ppm U, and 111 exceeding 100ppm U, which represents around 60% of the total sample population. The arithmetic average of all 186 rock chip samples collected from the Cockroach Dam prospect is 373ppm U, or 439ppm U<sub>3</sub>O<sub>8</sub> (one pound is 453.6 grams).

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

The association with a particular major granite phase which outcrops over an area of many square kilometres raised the potential for large uranium deposits within the Joint Venture's holdings. The Joint Venture has since received regulatory approval and Aboriginal site clearances to permit evaluation of the Teapot Granite, and diamond core drilling commenced on July 27. During 2010, five diamond drill holes had been completed at the Cockroach East area, and a further ten holes had been completed at the Cockroach Central area. Unseasonal heavy and continual rains hampered access to the Cockroach Dam Prospect area. The rains also hampered core retrieval and processing for some weeks. Assay turnaround was also slower than expected. Drilling in 2010 showed that uranium content averaging around 40ppm (around ten times the average for granites) was present in extensive zones of the granite, but is only upgraded in the oxidised zone near the land surface, and in thin zones of alteration associated with shearing at depth. It was concluded that these phases represent ideal source rocks for uranium deposits, but where the outcropping granites with surficial uranium were found, the rocks were too massive and unfractured to allow mobilisation of uranium into sizeable deposits. Since this realisation, work has been directed at the edges of the intrusions, and in a search for shear zones that intersect granite with high uranium background contents. These areas of more fractured and permeable granite will be located in areas of low relief and are probably soil covered. These will almost certainly have a structural control, which is likely to be important to enhancing the exceptional background uranium content to ore grades. The 2011 program will identify areas considered prospective given this new realisation. These will be tested by percussion drilling.

In 2008, the exploration program at Charley Creek included an air core drilling program into one of the shallow sedimentary basins in the project area. A total of 126 holes were drilled totalling 4,434 metres. The holes ranged in depth from 3 metres to 129 metres and most reached unweathered basement rocks, even where sedimentary cover rocks were present. Drill targets were delineated from the analysis of the Tempest airborne EM survey completed in August 2007. The assay results of 1,185 samples submitted for multi-element analysis were reviewed and the results of drilling have been modelled. A maximum value of 33ppm U was returned from the samples and there are other element concentrations of interest in the results; there are indications of development of a substantial channel filled with probable Tertiary sediments, and there is activity in the radiometrics in these. The drilling indicates that more holes are warranted up-channel closer to the sediment source. There were values that warrant follow up for Nickel (to 286ppm), Cobalt (to 614ppm), and Copper (to 240ppm), that support the concept of mineralization associated with the layered basic intrusive of the Mount Hay Granulite. Selenium and tungsten values of more than 10 times Average Crustal Abundance are widespread in the results, with a maximum of 28ppm Se and 0.15% W. These results will also be followed up in the next round of air core drilling. Re-assay for REE of those intersections that had shown anomalous values in the few REE included in the original assay suite has shown that there are values of potential economic interest for REE in some intervals. This led to the identification of the Cattle Creek prospect. A program primarily intended to evaluate the REE potential of Cattle Creek commenced on March 31, 2011.

A Tempest airborne EM survey on broad line spacing has been completed to guide the exploration on five areas of additional exploration licences surrounding the original two Charley Creek exploration licences. The survey provides a broad definition of depth of overburden and the thickness of any sediment basins developed, which assists in planning the exploration programs to be followed in each area. When sacred site clearances are obtained, traverses of air core holes are planned to be drilled to test channels indicated from the EM data. A detailed airborne radiometric and magnetic survey was completed in July 2010 over a portion of EL27283 that hosts poorly exposed Teapot Granite. Results indicate the presence of additional Teapot Granite, with a greater proportion of cover. Wet weather has hampered follow up of this prospective area.

#### Rare Earth Element Activity

The REE activity at Charley Creek consists of three programs:

- The Cockroach Dam alluvial REE resource assessment
- The regional stream sediment heavy mineral sampling program
- The drilling program at the Cattle Creek bedrock discovery

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### Cockroach Dam Alluvial REE Resource Assessment

The Cockroach Dam alluvial program is moving towards an initial Resource assessment in June 2011. Over 1300 auger/soil samples of alluvium have now been collected at sample sites on a 400m by 100m grid. A total area in excess of 50 square kilometres has now been covered and a further area of 17 square kilometres is currently being sampled. The Cockroach Dam program covers the alluvial drainages in close proximity to the Teapot Granite source of the REE and includes the samples used to produce the REE concentrate described in Pancontinental's announcement of November 1, 2010. This work will complete the field sampling component of the study. A total of 520 samples have been processed on site and are at the laboratory. At present, 23 analyses of heavy mineral fractions have been received. This number will increase substantially over the coming weeks. Results received to date are in line with expectations. Aircore drilling to the alluvial basement, to follow up the auger drilling, will commence immediately after the Easter break. An initial Resource estimate is expected to be available in June 2011. A recent initial mineralogy report has found that the critical Heavy REE at Cockroach Dam are present exclusively (except for Yttrium) in the mineral Xenotime, the preferred material for extraction of these elements. This new information provides additional encouragement that a REE mix containing significant amounts of Heavy REE could be extracted from Cockroach Dam heavy mineral concentrates.

#### Regional Stream Sediment Heavy Mineral Program

Over 600 samples have been collected from the 4,000 square kilometre property held by Pancontinental and Crossland. Each sample represents an area of 2 to 4 square kilometres. The purpose of the program is to identify alluvial areas with the potential to contain high values of REE. In excess of 500 samples have been processed on site and submitted to the laboratory. So far, 203 assay results have been received and these results are still being interpreted and followed up. Some recent samples have been taken the follow up favourable results from the first pass survey. One initial result has been the confirmation of a strong stream anomaly coincident with the Cattle Creek bedrock discovery which may represent an important additional alluvial heavy mineral source. The field aspects of this regional program are drawing to a close.

#### Drilling proceeding smoothly at the Cattle Creek Bedrock Discovery

Re-assaying of a 2008 drill hole for REE values identified a 5 metre section below 37 metres which averaged 1.03% Total Rare Earth Oxides (not including Yttrium). Samples collected from the bedrock discovery intersection in hole CCA121 at Cattle Creek, reported on March 9, 2011 contained a significant Heavy REE with Yttrium percentage of 13.8% of Total REO with Yttrium. A 250 to 300 hole drilling program totalling approximately 8,500 metres started on March 31, 2011. The stream sediment sampling results seem to suggest that the area warranting further testing covers approximately 40 square kilometres. To date a total of 75 aircore holes averaging 45 metres deep have been completed and 851 samples have been deposited at the laboratory. Results from these samples should start arriving by early May.

#### Future Plans

A mineralogy study will be done at Cattle Creek to determine if the Heavy REE occur as Xenotime, as has been determined at Cockroach Dam. Following completion of the scoping drilling at Cattle Creek, the drill rig will move to the Cockroach Dam Prospect. The rig will collect samples from deeper alluvium than could be sampled using auger drills used earlier in the program. This drilling should finalize the field work required to produce an initial resource estimate from the Cockroach Dam Alluvial deposits. The rig will then move to test a selection of the large areas of alluvial fans that drain north from the MacDonnell Ranges, where the Joint Venture hopes to define viable volumes and grades of REE to support a long term sand mining operation producing heavy minerals containing REE and zircon. It is expected that by the time these three programs of drilling are completed, the results of the scoping drilling at Cattle Creek will have been received. After those results are received, the rig will return to Cattle Creek for more scoping drilling.

#### **Chilling**

A detailed airborne magnetic and radiometric survey was completed in December 2007, and covered 18,875 line kilometres. This generated 43 priority uranium targets which are being systematically evaluated.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

During 2008, nine diamond core holes were drilled, for a total of 1,595.7 metres, at the March Fly prospect in the northern sector of Chilling. Previously, high-grade intersections had been encountered in drill programs by earlier explorers below outcropping oxidized uranium mineralization. The March Fly structure can be traced, in both geology and as a radiometric anomaly, over 600 metres and has the potential to host a mineable resource which should be amenable to open pit mining. The target represents a relatively low permitting risk and with the right grade may well be saleable to an operating mill in the area, such as Ranger. An announcement on the results of the March Fly drilling was made in February 2009. The assessment of these results led to recommendations for additional drilling at March Fly, and a program of four drill holes was completed in the fourth quarter of 2009. A compilation of March Fly drill results has been posted on Crossland's website ([www.crosslanduranium.com.au](http://www.crosslanduranium.com.au)). Further assessment of the structure has been completed during 2010, and the controls on mineralisation are now understood, with the generation of additional targets for drilling. The prospect shows similarities with the style of mineralisation that has been intersected at the Thundelarra Thunderball discovery some 80km to the east, and warrants additional testing.

The Buchanan EL 23682 was granted in January 2009 and received priority during the 2009 field season. This was the first opportunity to explore this area in over 10 years.

Crossland rehabilitated over 100 kilometres of access track in cooperation with neighbouring exploration companies. Geological mapping, combined with soil and stream geochemistry was advanced during 2009, and around 35 square kilometres were covered by ground gamma spectrometer surveys. During 2010, additional regional and prospect-scale mapping has considerably refined the understanding of local geology, and this has enhanced the potential of some of the radiometric anomalies detected by the 2007 airborne survey.

A belt of strongly folded carbonate, as well as silicified and brecciated carbonate and other sediments lies to the east of the Soldiers Creek Granite, and this has been called the Buchanan Window. The area had been assigned to various stratigraphic units in previous regional geological mapping, but the observed structural complexity and intensity of folding indicated in magnetics confirms that the area is a zone of Lower Proterozoic sediments of the Pine Creek Orogen in faulted, and in places intrusive, contact with the radioactive Soldiers Creek Granite on the west, and unconformably overlain by the middle Proterozoic Tolmer Group sediments and possibly other younger rocks on the east. The area has very poor bedrock exposure, which accounts for past confusion about the geological setting. These observations led Crossland to considerably upgrade the potential of the radiometric anomalies in this zone, as their setting is very similar to that found at many unconformity-related uranium deposits in the region.

Geochemical sampling showed several strong zones of base metal and uranium values in specific stratigraphic horizons. Spectrometer surveys on 25 metre line spacing have mapped the various radiometric signatures, and defined several strong uranium anomalies. These were evaluated with air core drilling completed in early November 2009. A total of 87 holes for 2,586 metres were drilled. The drilling encountered deeply weathered bedrock and heavy water inflows at shallow depths. Few holes encountered fresh bedrock, and deeper drilling will be required to test primary bedrock grades. However, the drilling confirmed the previously postulated geological setting and provided evidence for sub-surface continuity of the outcropping zones enriched in uranium and base metals. Assay results of several hundred samples collected from the program were received. These results have been used to plan the next phase of exploration in 2010.

Field work recommenced within the Buchanan Window during July 2010, with the resumption of mapping and sampling along the escarpment. This has led to almost complete coverage of the southern two thirds of the Buchanan Window, with the definition of eleven target settings for drill testing. Some of these contain hematite quartz breccia (HQB) juxtaposed with blocks of younger sediments, a setting that is often the site of uranium mineralisation elsewhere in the Pine Creek Basin. The setting has also been found to extend to the northern part of the Buchanan Window, and field work was continuing to identify favourable settings for uranium and base metal mineralisation when the season was brought to an early close in October by the onset of unseasonal heavy rains.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

Results from the Geoscience Australia sponsored, regional-scale airborne electro-magnetic ("AEM") survey, were received in June 2010. The survey covered the Pine Creek Orogen, of which the Chilling project is a part. Crossland has subscribed to the survey and has also completed more detailed surveys over large portions of the Chilling Project Area, taking advantage of the low cost of the bulk survey. Crossland has used the data to plan for the 2010 season.

The AEM data is providing additional information to Crossland's own detailed magnetics and radiometrics which will allow deep targeting beneath the cover sandstone units for buried unconformity style deposits. There are well-defined structures in the Allia Granite Window, some of which contain undrilled outcropping secondary uranium mineralization at the MEMA prospect, that appear to have responded to the detailed AEM survey. Part of this area was covered with a detailed ground prospecting program in the late stages of the 2009 field season, and this has been considerably expanded in 2010, with additional geological mapping, geochemical sampling and a detailed spectrometer survey. Preparations for drill access tracks within the property were delayed as site clearances applied for in March were not completed until November, too late for drilling before the onset of the wet season. An evaluation of previous work on the Fletcher's Gully gold field, that lies on the Joint Venture tenements, between the Allia and Buchanan Windows, was completed and additional sampling was commenced. Field work continued into the fourth quarter of 2010 as weather conditions permitted; however it was realized in October that it would not be feasible to drill the Buchanan targets in 2010 unless helicopter demountable drilling equipment could be sourced, to cover the possibility of loss of road access though the continuation of early heavy rains. The Joint Venture was unable to source such equipment in Australia

#### Future Plans

Drilling targets were defined in 2010 in the Buchanan Window, on extensions to mineralized structures at March Fly, at The Eccles prospect, and in the Allia Window. Drilling was scheduled to begin in June 2011, however, this program is now under review due to market sentiment as a result of the problems in Japan.

#### **Kalabity**

Results from 636 samples from the Kalabity auger drilling program, completed in March 2008, were received in August 2008. These samples were from the newly identified Tabita prospect. At Tabita, there were 15 auger drill sites which returned bottom hole samples with values of over 100ppm U, four exceeding 200ppm U with a highest value of 235ppm U. Based upon element distribution patterns as well as geological settings, the Tabita prospect represents a different style of mineralization to the Davidite style that is common to the region and present at the KR4 prospect. Elevated values of uranium are much more persistent at Tabita. The presence of high vanadium values in association with uranium suggests that the uranium mineral is carnotite. Its presence near surface suggests a calcrete deposit, but almost the entire surface in this district is calcreted, while the Tabita Prospect appears to have an association with gypsum. The prospect warranted deeper drilling and trenching to appraise the extent and dimensions of this mineralization, which is now known to extend over several hectares. This work commenced in April 2010, and was concluded within the second quarter (*please refer to Pancontinental's news release of April 6, 2010*). The drilling component of the program had 93 holes completed for 2303m of drilling. Some 381 samples were collected from radiometrically anomalous zones for chemical analysis. Of these, 33 samples returned values of over 100ppmU, with a highest of 250ppmU. This work has been followed with a trenching program that is also now complete.

#### Trenching

Results from trenching were more positive than drilling. Anomalous uranium values peaked at 1010ppm with 45 of the 1 metre-long samples returning >200ppmU. Five samples returned >800ppmV peaking at 1304ppm. There were two copper values >400ppm (412 and 417ppm). Gypsum was found in abundance within the shallow subsurface.

Alternating bands high in gypsum and kaolinite are reflected in the assay results, showing an inverse relationship between Al and Ca, S. There is a positive correlation between U, V and Fe values associated most likely with the oxide zone. Other heavy metals also correlate positively. There is some tonnage potential in the gypsiferous/ferruginous zones, and the control on their distribution can be cheaply established with excavator trenching. A

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

program of metallurgical testing of trench samples from Tabita was completed in late 2010 to determine if there might be a means to physically separate gypsum, thereby upgrading the uranium-vanadium enriched ferruginous material. Metallurgical testing of the concept was performed on composite samples of mineralized material from the trench sampling. Assay results of sizing fractions did not produce conclusive results, but provided justification for further work which was undertaken in early April 2011, under the supervision of a consulting metallurgist.

#### Future Plans

Depending on the results of metallurgical test work, a program of resource appraisal trenching and shallow drilling will be evaluated.

#### **Burkina Faso**

Based on a familiarity with local conditions and what we believe is excellent untested prospectivity, Crosscontinental has applied for several permits for uranium exploration. Progress with these applications has been slow, as the government has announced that it wished to develop a policy with respect to uranium mining before processing the applications. We believe that this process is proceeding and expect the applications will be granted in due course. This may involve a substantial commitment when the titles are granted, if the terms of grant are considered to be acceptable by Crosscontinental.

#### Future Plans

All further exploration activities in Burkina Faso have been postponed until the grant of Crosscontinental's additional uranium exploration permits on terms that are acceptable.

#### **Qualified Person**

Geoffrey Eupene, B.Sc(Hons), FAusIMM, a director of Pancontinental and Crossland, is the Company's in-house Qualified Person for the purposes of NI 43-101.

#### **MINERAL PROPERTIES EXPENDITURES**

Acquisition and property costs and exploration expenditures were \$681,683 for the current three month period and \$3,148,203 for the year.

Mineral properties expenditures attributable to the Joint Venture in Australia were \$677,453 for the current quarter and \$3,142,649 for the year. As a result of a decision to relinquish the Joint Venture's Crossland Creek tenements in 2009, additional expenditures incurred in 2010 of \$36,815 were written-off. Operator costs for the Joint Venture were \$21,457 for the current quarter and \$355,855 for the year. Crossland uses its internal resources to support Joint Venture exploration activities.

As a result of a decision to withdraw from the Oursi Project Joint Venture, expenditures of \$111,290 were written-off. In addition, due to the uncertainty of the Burkina Faso government approving Crosscontinental's uranium permit applications, the Company wrote-off \$61,270 of related expenditures.

For further information with respect to mineral properties, please refer to Schedule "A" of the MD&A and note 5 in Pancontinental's audited annual consolidated financial statements for the year ended December 31, 2010.

## Pancontinental Uranium Corporation

### Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)

#### SELECTED ANNUAL INFORMATION

<b>Results of Operations</b>	Year ended, December 31,		
	2010	2009	2008
Revenue	\$ -	\$ -	\$ -
Net loss before other items	433,917	607,514	1,183,487
Net loss	626,866	633,901	948,888
Net loss per share - basic and diluted	0.01	0.01	0.02
	As at December 31,		
<b>Financial Position</b>	2010	2009	2008
Working capital	\$ (133,687)	\$ 2,790,931	\$ 5,709,025
Mineral properties	8,345,179	5,406,801	2,880,711
Total assets	9,060,896	8,746,898	9,176,271
Total long-term financial liabilities	-	-	-

The net loss for 2010, compared to the net loss for 2009, decreased marginally as the benefit derived from a significant reduction in stock-based compensation (non-cash) expense due to the issuance of fewer stock options, was offset by a substantial decrease in interest income and the write-off of the Joint Venture's Crossland Creek tenements and Crosscontinental's Burkina Faso exploration activities.

The net loss for 2009, compared to the net loss for 2008, decreased significantly as: the amount of stock-based compensation (non-cash) recognized decreased, due to a the re-pricing of stock options granted in prior years; the Company operated with less employees and maintained only one office, which is reflected in lower rent and salaries and benefits costs; the Company curtailed travel activities to reduce overheads, which is reflected in lower shareholder relations and promotion and travel costs; and, the compensation for consulting services provided by the Company's independent directors was reduced substantially. The benefit derived from these lower costs was mitigated by a substantial decrease in interest income and the write-off of the Joint Venture's Crossland Creek tenements.

For 2010, the working capital deficiency originated from additional exploration expenditures related to the Joint Venture's unanticipated REE discovery, which resulted in an expanded exploration program on its Charley Creek tenements. On April 27, 2011, the Company announced the arrangement a private placement of up to \$3.1 million to replenish its working capital, refer to the *Liquidity and Capital Resources* section for further details. For 2009, existing working capital was used to fund the Joint Venture's exploration programs.

Total assets increased in 2010, compared to 2009, due to mineral properties expenditures related to the Joint Venture's exploration activities in Australia. Total assets decreased in 2009, compared to 2008, due to the consumption of cash to fund 2009 overheads.

## Pancontinental Uranium Corporation

### Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)

#### RESULTS OF OPERATIONS

For further information with respect to the components of expenses and other items, please refer to the Statements of Operations and Deficit included in Pancontinental's audited annual consolidated financial statements for the year ended December 31, 2010.

The net loss for the twelve month period ended December 31, 2010, was \$626,866 compared to a net loss of \$633,901 for fiscal 2009. Expenses decreased significantly (2010 - \$433,917 vs 2009 - \$607,514) primarily as a result of lower stock-based compensation.

The primary factors contributing to the net loss and variance in the loss between the comparable twelve month periods were:

- a significant decrease in stock-based compensation (2010 - \$28,565 vs 2009 - \$216,555) due to the issuance of fewer incentive stock options granted.
- a decrease in shareholder relations and promotion costs (2010 - \$80,345 vs 2009 - \$95,629) as the Company limited its marketing efforts by reducing its participation in industry trade shows and media publications. Also, costs for the Company's Annual and Special Meeting of Shareholders ("ASM") were moderately lower. The account includes \$22,000 (2009 - \$24,000) for the services of a consultant to support the Company's internal investor relations activities.
- a decrease in travel costs (2010 - \$891 vs 2009 - \$14,049) as general corporate travel was curtailed.
- a decrease in general and administration costs (2010 - \$15,506 vs 2009 - \$21,067) primarily due to the cancellation of an industry publication subscription.
- a nominal decrease in salaries and benefits (2010 - \$26,243 vs 2009 - \$26,659) attributable to lower payroll benefit costs.
- an increase in property investigation costs (2010 - \$14,100 vs 2009 - \$111) as Crosscontinental evaluated prospective uranium properties.
- an increase in management fees (2010 - \$144,000 vs 2009 - \$130,500) as compensation for the services of the Company's President and Chief Executive Officer was increased in October 2009, *please refer to the Related Party Transactions section for further details.*
- an increase in professional fees (2010 - \$86,612 vs 2009 - \$73,577) due to additional accounting costs related to Joint Venture reporting and the adoption of International Financial Reporting Standards. The account also includes legal fees which were relatively unchanged.
- a moderate increase in filing and transfer agent fees (2010 - \$21,569 vs 2009 - \$18,899) due to additional ASM services provided by the Company's transfer agent.
- an increase in the write-off of mineral properties (2010 - \$209,825 vs 2009 - \$96,217), as the Company wrote off additional expenditures related to the Joint Venture's former Crossland Creek property and all expenditures related to the Crosscontinental's exploration activities in Burkina Faso.
- a significant decrease in interest income (2010 - \$6,703 vs 2009 - \$79,710) as the amount of funds available for investing declined.
- a foreign exchange gain (2010 - \$10,173 vs 2009 - loss \$19,158) resulting from a favourable change in the Australian dollar.
- the absence of a gain on sale of equipment (2010 - \$nil vs 2009 - \$9,278) as the Company did not dispose of any equipment, *please refer to the Related Party Transactions section for further details.*

## Pancontinental Uranium Corporation

### Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)

#### SUMMARY OF QUARTERLY RESULTS

Period	Revenue	Loss before other items	Other items	Net loss	Net loss per share
<u>Fiscal 2010</u>					
Q4 December 31, 2010	\$ -	\$ 128,223	\$ 183,027	\$ 311,250	\$ 0.006
Q3 September 30, 2010	-	101,508	(29,766)	71,742	0.001
Q2 June 30, 2010	-	134,153	29,296	163,449	0.003
Q1 March 31, 2010	-	70,033	10,392	80,425	0.002
<u>Fiscal 2009</u>					
Q4 December 31, 2009	\$ -	\$ 127,594	\$ 111,896	\$ 239,490	\$ 0.005
Q3 September 30, 2009	-	76,577	(30,818)	45,759	0.001
Q2 June 30, 2009	-	270,985	(8,587)	262,398	0.005
Q1 March 31, 2009	-	132,358	(46,104)	86,254	0.002

Variances in losses between the quarters for fiscal 2010 were primarily influenced by the amount of: professional fees accrued for 2010 audit fees in Q4; stock based compensation recognized in Q3, as 300,000 stock options were granted; filing and transfer agent fees, professional fees (legal) and shareholder relations and promotion costs related to the Company holding its Annual and Special Meeting of Shareholders (the "ASM") in Q2; professional fees attributable to the under-accrual of fiscal 2009 audit costs in Q2; and, consulting and property investigation costs related to the evaluation of prospective uranium properties by Crosscontinental in Q2. Variations in "other items" were primarily attributable: to the write-off of the Joint Venture's Crossland Creek mineral property in Q1 and Q2; the write-off of expenditures related to Crosscontinental's exploration activities in Burkina Faso in Q4; and, foreign exchange gains or losses related to the Australian dollar and the Central African franc.

Variances in losses between the quarters for fiscal 2009 were primarily influenced by the amount of: stock based compensation recognized, which was significantly impacted as a result of the fair value of 3,550,000 previously granted stock options being adjusted due to the options being re-priced and extended in Q2; filing and transfer agent fees, professional fees (legal), travel and shareholder relations and promotion costs related to the Company holding its Annual and Special Meeting of Shareholders (the "ASM") in Q2; and, professional fees attributable to an under-accrual of fiscal 2008 audit costs in Q2 and the accrual of 2009 audit costs in Q4. Variations in "other items" in each of the periods were primarily attributable to: fluctuations in foreign exchange gains or losses related to the Australian dollar and the Central African franc; interest income earned in Q4 as the Company's fixed rate guaranteed investment certificate matured and was reinvested at a substantially lower interest rate; a gain on sale of exploration equipment to Crossland in Q3; and, the write-off of the Joint Venture's Crossland Creek mineral property in Q4.

#### LIQUIDITY AND CAPITAL RESOURCES

Pancontinental has no regular source of cash flow and is incurring operating costs in excess of its interest income. The Company finances its activities by raising capital in the capital/equity markets and is dependent upon its existing working capital and its ability to obtain necessary financing to meet its obligations and pay its liabilities. It should be noted that during this period of economic uncertainty and contracted capital/equity markets for junior mineral exploration companies, the ability for the Company to access these markets for funding remains somewhat constrained.

Pancontinental's financial success is dependent on the extent to which it can discover mineralization in economic quantities and the economic viability of developing its properties or projects. Given the nature of the Company's

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

operations, which consist of exploration, evaluation and acquisition of mineral properties or mining projects, the Company believes that the most meaningful financial information relates primarily to current liquidity and solvency.

#### **Cash Flows**

Cash flows consumed in operating activities for 2010 were \$319,137 (2009 - \$300,441). Cash flows consumed by operations before changes in non-cash working capital were \$387,112 (2009 - \$328,921). The increase in the amount of cash consumed by operations before changes in non-cash working capital resulted from a moderate increase in cash operating expenses (2010 - \$403,988 vs 2009 - \$389,473) and substantially lower interest income, mitigated, somewhat, by a foreign exchange gain. Changes in non-cash working capital items were significantly impacted by: the expected recovery of sales taxes from the Canadian and Australian governments; and, the accrual of mineral property expenditures.

Cash flows provided by investing activities for 2010 were \$55,112 (2009 - \$324,342). Term deposits of \$3,000,000 were redeemed to fund \$2,944,888 of mineral property expenditures.

Cash flows provided by financing activities were \$610,697 (2009 - \$nil). During 2010, the Company raised \$625,000 through private placement.

As at December 31, 2010, Pancontinental's cash balance was \$626,049. Cash of: \$332,798 was held on deposit with a Canadian chartered bank; \$207,183 was held on deposit with an Australian bank; and, \$86,068 represents Pancontinental's portion of the \$172,135 of cash held in Burkina Faso. During 2010, the Company redeemed all of its guaranteed investment certificates.

#### **Working Capital**

As at December 31, 2010, Pancontinental has a consolidated working capital deficiency of \$133,687. Since December 31, 2009 working capital decreased by \$2,924,618. The decrease was attributable to the deployment of capital to fund mineral property expenditures. The working capital deficiency originated from unbudgeted exploration expenditures due to the Joint Venture's unanticipated REE discovery in Australia, which resulted in an expanded exploration program on the Charley Creek tenements.

On April 27, 2011, Pancontinental announced the arrangement of a private placement for proceeds of up to \$3.1 million. The proceeds from this private placement, if fully subscribed, will replenish the Company's working capital and fund approximately \$2.3 million of the Joint Venture's 2011 exploration program for Australia. The private placement is expected to close on or about May 6, 2011. As of the date of this MDA, the Joint Venture's 2011 exploration budget has not been finalized, as the Joint Venture is reconsidering its deployment of exploration funds given the Joint Venture's REE discovery, combined with the recent negative sentiment in the uranium markets. The Company will be required to raise additional capital, if the ultimate exploration program for 2011 is greater in scope than anticipated, and if uranium permits waiting for approval from the Burkina Faso government are granted, thereby accelerating exploration activities.

#### **SHARE CAPITAL**

##### **Common Shares**

As at December 31, 2010, Pancontinental had 54,806,492 (2009 - 49,806,492) common shares and 5,000,000 (2009 - nil) common share purchase warrants outstanding.

On October 22, 2010, Pancontinental completed a non-brokered private placement consisting of 5 million units at a price of \$0.125 per unit for gross proceeds of \$625,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share for a period of two years at an exercise price of \$0.25 per share, provided that, if at any time, which is more than four months and one day after the closing date, the volume weighted average trading price of the Company's common shares, as traded on the TSX Venture Exchange, meets or exceeds \$0.40 for twenty (20) consecutive

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

trading days, the Company reserves the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of such notice. Fair value attributable to the warrants, using the Black-Scholes pricing model, was \$145,193.

On April 27, 2011, Pancontinental announced the arrangement a non-brokered private placement consisting of up to 12 million units at a price of \$0.26 per unit for gross proceeds of up to \$3,120,000. Each unit is comprised of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share for a period of two years at an exercise price of \$0.40 per share, provided that, if at any time, which is more than four months and one day after the closing date, the volume weighted average trading price of the Company's common shares, as traded on the TSX Venture Exchange, meets or exceeds \$0.60 for twenty (20) consecutive trading days, the Company reserves the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of such notice. Proceeds from the private placement will be used to fund 2011 Joint Venture expenditures and for general working capital.

#### **Options**

On November 25, 2010, the Company amended the vesting terms of 16,667 unvested stock options which comprised a portion of 50,000 options previously granted, on June 3, 2009, to an officer of the Company. The unvested options were deemed to have vested immediately.

On August 30, 2010, Pancontinental granted 300,000 stock options to an employee and two consultants of the Company. These options vested immediately. Each of these options is exercisable at \$0.20 and expires on August 30, 2015. On December 26, 2010, 75,000 of the granted consultant options expired.

On May 27, 2010, 100,000 stock options previously granted to consultants expired.

As of the date of this MD&A, Pancontinental has 3,725,000 incentive stock options outstanding of which 3,725,000 are exercisable. Currently, all of the exercisable options are "in the money" representing \$745,000 in potential capital.

All of the stock options were: granted pursuant to the terms of the Company's Incentive Stock Option Plan; and, issued for a five (5) year term. The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options. The estimated fair value is recognized over the vesting period of the options granted, with an offsetting credit charged to contributed surplus.

For further information on share capital and contributed surplus, please refer to notes 7 and 8 of the audited annual consolidated financial statements for the year ended December 31, 2010.

#### **FOURTH QUARTER**

For the current quarter, Pancontinental's operations revolved around exploration activities in Australia. The net loss for the three month period ended December 31, 2010, was \$311,250 compared to a net loss of \$239,490 for the comparable three month period ended December 31, 2009. The increase in the net loss was primarily the result of the write-off of mineral properties. Expenses were relatively unchanged (2010 - \$128,223 vs 2009 - \$127,594).

The primary factors contributing to the net loss and variance in the loss between the comparable quarters were:

- an increase in the write-off of mineral properties (2010 - \$173,010 vs 2009 - \$96,217) due to the write-off of expenditures related to Crosscontinental's exploration activities in Burkina Faso.
- an increase in professional fees (2010 - \$58,170 vs 2009 - \$50,632) due to additional accounting costs related to Joint Venture reporting and the adoption of International Financial Reporting Standards.

## Pancontinental Uranium Corporation

### Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)

- a decrease in shareholder relations and promotion costs (2010 - \$16,089 vs 2009 - \$22,512) as the Company participated in only one industry trade show and reduced the compensation of its internal investor relations consultant (2010 - \$4,000 vs 2009 - \$6,000).
- unchanged management fees (2010 - \$36,000 vs 2009 - \$36,000), *please refer to the Related Party Transactions section for further details.*
- a decrease in salaries and benefits (2010 - \$4,390 vs 2009 - \$7,462) as compensation for administration personnel was reduced.
- a decrease in the foreign exchange loss (2010 - \$10,041 vs 2009 - \$19,919) due to a favourable change in the Australian dollar.
- a decrease in interest income (2010 - \$24 vs 2009 - \$4,240) as the amount of funds available for investing declined.

Cash flows provided by operating activities were \$63,758 (2009 - \$85,836 consumed). Cash flows consumed by operations before changes in non-cash working capital were \$137,035 (2009 - \$142,162). Cash operating expenses (2010 - \$127,018 vs 2009 - \$126,483) were relatively unchanged. Changes in non-cash working capital items were significantly impacted by: the recovery of sales taxes from the Canadian and Australian governments; the accrual of mineral property expenditures; and, the accrual of 2010 audit costs.

Cash flows used by investing activities were \$489,828 (2009 - \$56,669 provided). Cash was used to fund mineral property expenditures.

Cash flows provided by financing activities were \$610,697 (2009 - \$nil). During the current quarter, the Company raised \$625,000 through a common share private placement.

#### RELATED PARTY TRANSACTIONS

Management fees of \$15,000 (2009 - \$15,000) for the current quarter and \$60,000 (2009 - \$46,500) for the year were paid to the Company's President and Chief Executive Officer, Mr. Rick Mark. Management fees of \$21,000 (2009 - \$21,000) for the current quarter and \$84,000 (2009 - \$84,000) for the year were paid to Rustle Woods Capital Inc., a company controlled by an associate of the Company's Chief Financial Officer, Mr. Mark McMurdie. Mr. Mark's agreement provides for monthly remuneration of \$5,000 (increased from \$3,500 per month, effective October 1, 2009) and Mr. McMurdie's agreement provides for monthly remuneration of \$7,000. Each of these agreements is automatically renewed on a monthly basis and continues from year to year. In addition, each agreement may be terminated by the Company upon 30 days written notice and making a lump-sum payment equivalent to one month's remuneration. Mr. Mark holds 550,000 stock options and Mr. McMurdie holds 350,000 stock options, each exercisable at \$0.20, expiring on June 3, 2014.

Eupene Exploration Enterprises Pty. Ltd. ("Eupene Exploration"), a company controlled by Mr. Geoff Eupene, a director of the Company and Crossland, provides consulting services and deploys equipment, from time to time, for the purpose of facilitating exploration activities for the Joint Venture and for Crosscontinental. Costs incurred by Eupene Exploration are reimbursed by Crossland and where applicable, invoiced to Pancontinental or Crosscontinental. These costs are recorded in mineral properties, unless otherwise noted. The Company paid Crossland \$28,866 (2009 - \$62,028) for the current quarter and \$146,918 (2009 - \$190,022) for the year for:

- consulting fees for services rendered by Mr. Eupene of \$24,990 (2009 - \$47,544) for the current quarter and \$125,598 (2009 - \$164,168) for the year. Included in consulting fees is \$765 (2009 - \$282) for the current quarter and \$4,410 (2009 - \$282) for the year for Mr. Eupene's services in evaluating opportunities for Crosscontinental.
- equipment usage fees of \$3,876 (2009 - \$14,484) for the current quarter and \$21,320 (2009 - \$25,854) for the year.

Mr. Peter Walker, a director of the Company and Crossland, provides legal services to the Joint Venture and Crosscontinental. For the services of Mr. Walker, the Company paid Crossland \$455 (2009 - \$2,113) for the

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

current quarter and \$1,044 (2009 - \$3,322) for the year. Mineral properties includes \$455 (2009 - \$nil) for the current quarter and \$455 (2009 - \$1,210) for the year. Professional fees includes \$nil (2009 - \$2,112) for the current quarter and \$589 (2009 - \$2,112) for the year.

Crossland acts as operator of the Joint Venture and is entitled to charge operator costs to Pancontinental, comprised of a portion of its overhead and equipment usage costs. Operator costs for the current quarter were \$21,457 (2009 - \$114,781) and \$355,855 (2009 - \$556,133) for the year. Operator costs may include amounts paid to Mr. Eupene and Mr. Walker for their services not directly designated to a Joint Venture property or Crosscontinental.

Pancontinental subleases its office premises in North Vancouver, B.C. from VMS Ventures Inc. ("VMS") on a monthly basis at a cost of \$700 per month. The Company paid rent of \$2,100 (2009 - \$2,100) for the current quarter and \$8,400 (2009 - \$8,400) for the year. The Company's President and Chief Executive Officer, Mr. Mark, also acts as Chief Executive Officer for VMS. In addition, effective July 1, 2010, Company director, Mr. Donald Whalen, became a director of VMS.

Prior to October 1, 2008, Pancontinental subleased its Toronto, Ontario office premises from Equinox Minerals Limited ("Equinox") at twenty percent (20%) of Equinox's cost (approximately \$1,100 per month). The Company vacated these premises in September 2008 and continued to pay Equinox a nominal amount for storage until March 31, 2009. For the current quarter and year, the Company paid or accrued rent of \$nil (2009 - \$300). Mr. David Mosher, a director of the Company, is also a director of Equinox.

Crossland in 2009 reacquired exploration equipment, it had previously sold to Crosscontinental in 2008, for its original cost of \$66,268 (Pancontinental's portion \$33,134) resulting in a gain of \$9,278.

Included in accounts payable and accrued liabilities at December 31, 2010 is \$783,706 (2009 - \$491,032) payable to: companies controlled by, or associated with, directors/officers or companies related by virtue of common directors. Accounts payable and accruals includes payables to Crossland of \$765,395 (2009 - \$480,401).

These transactions, with the exception of the sale of exploration equipment to Crossland, were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **OUTLOOK**

Through their Joint Venture, Pancontinental and Crossland have established one of the strongest management teams in the uranium industry combined with a highly prospective uranium project portfolio. Australia contains the world's largest known resources of uranium, but until very recently, has received little uranium exploration effort since the mid-1980s. The recent election of pro-uranium development governments in Australia has resulted in increased exploration activity in Australia. In particular, the search for unconformity-related deposits of the type that have contributed significantly to Canada's inventory during that period, including McArthur River, Cigar Lake and Millenium deposits, buried deeply beneath younger basin cover, has been very restricted in Australia and received very little attention. The evaluation of radioactive granites for melt-related bulk lower grade mineralisation such as that in Namibia is also in its infancy.

In Australia, all of Pancontinental's uranium project areas contain outcropping and potential ore grades of uranium mineralization, in settings similar to those that have resulted in significant uranium accumulations elsewhere. A characteristic of these exploration projects is that they all have indications of uranium and prospectivity for defined targets. The Joint Venture is also evaluating additional new directions for REE at Charley Creek that have evolved directly from our uranium exploration program in this unusual and highly differentiated granitic terrain.

While Pancontinental and Crossland believe that in terms of mineral potential, Australia represents a prime destination, they understand the importance of diversification to minimize sovereign and other risks, as can be

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

seen in the variation in policy from state to state within Australia, and the recent proposals for a resource super profits tax at the national level. Pancontinental's and Crossland's uranium interests are designed to give a spread of geographic and political conditions, as well as styles of uranium deposits. Through Crosscontinental, the Company expects to enter into other opportunities around the world as these become available.

Pancontinental believes that the demand for uranium is likely to continue to increase as the world copes with the issues of energy security, sustainable energy usage and greenhouse gas reduction. Many utility companies consider nuclear power as the optimum solution to these issues and an increasing number are placing orders for new plants. Nuclear power is being re-evaluated for a role in the energy mix of several countries that previously announced a phasing out of nuclear power. All of these factors are contributing to predictions of supply shortages and strong prices for uranium into the future.

While the damage to the Fukushima reactor complex in Japan, as a result of the March 11, 2011 tsunami, may temporarily slow the growth of nuclear power, the lessons learned are expected to ultimately strengthen the nuclear power industry.

Pancontinental's emerging REE projects at Charley Creek have the potential to provide additional commodities that are of increasing importance to the renewable energy sector, as well as other aspects of modern technology. These recently discovered REE opportunities are being pursued at a rapid pace. Much remains to be determined about the REE's grade, extent, recovery and marketability.

#### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported results. Pancontinental bases its assumptions and estimates on historical experience, current conditions, future expectations, practices, within the mineral exploration industry and on various other assumptions that the Company believes to be reasonable. On a quarterly basis, Pancontinental considers whether events or changes in circumstances affect these estimates or assumptions. Critical accounting estimates involve a significant degree of judgement and actual results could differ from these estimates. The Company's significant accounting policies are described in note 2 of the audited annual consolidated financial statements for the year ended December 31, 2010.

Significant areas requiring the use of estimates and assumptions include:

#### ***Functional Currency***

The determination of functional currency under Canadian GAAP requires a significant degree of judgement. Pancontinental reports its consolidated financial statements using the Canadian dollar as its functional currency. The majority of the Company's expenditures are outside of Canada, primarily in Australia. The transition to a different currency may result in significant changes to reported results from period to period. For 2011, the Company may change its functional currency as a result of adopting International Financial Reporting Standards.

#### ***Mineral Properties***

Pancontinental capitalizes its exploration expenditures, unless the related mineral property is impaired or the property will not be retained. The recoverability of the carrying value of its mineral exploration properties is subject to considerations such as, but not limited to: progress, results and future plans of exploration; future costs and probability of development; value and market conditions of underlying minerals; ability to obtain sufficient financing; net realizable proceeds from production or disposition of properties; and, political, legal, permitting and environmental factors.

#### ***Equipment***

Costs related to the acquisition of equipment are capitalized and amortized over their estimated useful lives using the declining balance method. The recoverability of the carrying value of equipment is subject to considerations

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

such as, but not limited to: condition, location and future uses of equipment; storage and transportation costs; and, secondary market values.

#### ***Stock-based Compensation***

Considerations affecting the fair value of stock-based compensation include estimates of when stock options may be exercised and stock price volatility. Management assumes it is more likely that stock options will be exercised in advance of their expiry date. The timing of when stock options are exercised is beyond Pancontinental's control and revolves around the Company's share value and the financial objectives of the stock option holder. Estimates concerning volatility are primarily based on the Company's historical share prices.

## **FUTURE ACCOUNTING CHANGES**

### **Business Combinations and related sections**

In January 2009, the CICA issued three new standards which will be effective January 1, 2011. These standards are described in:

- Section 1582 "Business Combinations" which replaces Section 1581 and establishes standards to harmonize GAAP with International Financial Reporting Standards for business combinations.
- Sections 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which together replace Section 1600. Section 1601 establishes standards for preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interests in a subsidiary's consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

### **International Financial Reporting Standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board confirmed plans to converge GAAP with IFRS for Canadian entities with public accountability for fiscal years commencing on or after January 1, 2011. Accordingly, the Company will be required to adopt IFRS for its interim and annual consolidated financial statements effective January 1, 2011.

IFRS 1 "*First-time Adoption of IFRS*" provides guidance for the transition to IFRS. Generally, IFRS 1 requires the application of IFRS to be on a retrospective basis, though IFRS 1 provides certain exemptions to this retrospective application. For fiscal 2011, the transition to IFRS will require the restatement of all interim financial statements for fiscal 2010 and an opening balance sheet as of January 1, 2010 for comparative purposes.

The Company has developed an IFRS conversion plan which consists of three steps: scoping; assessment and design; and, implementation. The Company has identified the major areas which will be impacted and has assessed, or is currently assessing the various accounting policy and transition election choices available and the changes the conversion to IFRS will have on its financial reporting and business processes. The major areas expected to be impacted by the transition to IFRS are:

#### ***Mineral properties***

IFRS requires an exploration entity to establish an accounting policy specifying which exploration and evaluation expenditures will be recorded as assets once the legal right to explore a specific area has been obtained. Any costs incurred prior to obtaining such legal right are to be expensed. Currently, IFRS permits the Company to retain its accounting policies and practices it has applied previously under Canadian GAAP.

The Company anticipates that it will retain the current policy of capitalizing exploration and evaluation expenditures. Under IFRS, the Company expects to write off all capitalized exploration and evaluation expenditures related to its exploration activities in Burkina Faso. For January 1, 2010 the write-off will be \$56,226.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### ***Impairment of assets***

Under IFRS, impairment charges for long-lived assets may be more frequent than under Canadian GAAP as IFRS assesses the value of long-lived assets using discounted cash flows, while Canadian GAAP uses undiscounted cash flows. In addition, the reversal of impairment charges is permitted under IFRS, while under Canadian GAAP such reversals are not permitted.

The Company will need to consider such discounting in its impairment analysis when preparing its January 1 and December 31, 2010 balance sheets. The Company does not expect that the adoption of this new standard to have a material impact on its financial statements.

#### ***Foreign currency transactions***

IFRS requires that the functional currency of the Company and each of its subsidiaries be determined separately and that the subsidiary's financial statements be translated for consolidation purposes using the: closing rate for all assets and liabilities; actual rates for revenues and expenses; and, historical rates for equity components. All resulting exchange differences are recognized in other comprehensive income.

The Company is assessing the appropriate functional currency for the Company and its subsidiaries. The transition to a different currency may result in significant changes to line items within its financial statements.

#### ***Accounting for joint ventures***

Under IFRS, Joint Ventures may be accounted for using either proportionate consolidation or the equity method.

The Company currently accounts for its interest in joint ventures using proportionate consolidation. The Company expects to retain its current accounting policy.

#### ***Share-based payments***

Under IFRS, stock options that vest in installments must be accounted for as though each installment is a separate award. In addition, IFRS requires the Company to estimate the number of stock options that are expected to vest based on expected forfeitures, and subsequently, make adjustments to the estimate to reflect the actual number of awards that vest.

IFRS I provides an exemption for the retrospective application of IFRS on share-based payments provided the share-based payments vested prior to the transition to IFRS. For the existing share-based payments the impact is immaterial as all of the Company's 3,725,000 outstanding stock options vested prior to January 1, 2011.

#### ***Provision and contingencies***

Under IFRS, liabilities, including constructive obligations, are recognized if they are probable (defined as 'more likely than not') which is a lower threshold than under Canadian GAAP.

The Company is reviewing all provisions in context with IFRS, though it currently does not expect any significant changes to the line items within its financial statements.

#### ***Income taxes***

The primary differences between IFRS and Canadian GAAP revolve around the measurement and recognition of deferred taxes. Under IFRS the assessment of deferred taxes is based on 'probable' criteria.

The Company will need to consider the impact of accounting for income taxes under IFRS when preparing its January 1 and December 31, 2010 balance sheets.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### ***Property, plant and equipment***

IFRS requires the components of property, plant and equipment be segmented on a broader basis than required under Canadian GAAP.

The Company does not expect any changes to its accounting policies that would result in a significant change to line items within its financial statements.

#### ***Related Parties***

Under IFRS, compensation of key management requires disclosure in total and for each of the following categories: (a) short-term employee benefits; (b) post-employee benefits; (c) other long-term benefits; (d) termination benefits; and, (e) share-based payments.

Compensation of the Company's key management is disclosed in the Related Party Transaction section of this MD&A.

#### ***Financial statement presentation and disclosure***

The presentation and disclosure in the Company's financial statements will change under IFRS which may result in significant differences from the financial statements prepared under Canadian GAAP.

The Company monitors its information and technology systems to identify and evaluate areas that may be significantly impacted by the transition to IFRS. The Company may require a system to track share-based payment activity.

During the first quarter of 2011 the Company will: finalize accounting policy and transition elections; prepare the January 1 and December 31, 2010 balance sheets; draft financial statement presentation and note disclosure; assess internal controls and risks; and, use external resources to educate the Company's management.

## **FINANCIAL INSTRUMENTS**

#### ***Fair value***

The carrying values of the following financial instruments, approximate fair value due to their short-term maturity: cash and, accounts payable and accrued liabilities.

The Company does not have a risk management committee or written risk management policies. Management believes Pancontinental is not exposed to any significant credit or interest risks arising from these financial instruments. The Company has not entered into any specialized financial agreements to minimize its credit or market risks. There are no off-balance sheet arrangements.

Disclosure on the Company's financial instruments and related risks may be found in note 16 of Pancontinental's audited annual consolidated financial statements for the year ended December 31, 2010.

#### ***Foreign Exchange Risk***

Pancontinental operates in Canadian and international markets, giving rise to exposure to market risks from changes in foreign exchange rates. Certain expenditures are denominated in foreign currencies including the Australian dollar, the Central African franc for Burkina Faso and the United States dollar. The Company does not use derivatives to mitigate its exposure to foreign currency risk and is therefore subject to gains or losses from fluctuations in the value of these currencies.

Pancontinental's Australian dollar holdings, receivables, commitments and payables, United States dollar holdings and Crosscontinental's Central African franc holdings and payables are exposed to fluctuations in foreign exchange rates. Of the Company's cash, less than 2% is denominated in United States dollars, approximately 33% in

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

Australian dollars and approximately 8% in Central African francs. Approximately 92% of receivables and 91% of accounts payables and accrued liabilities are denominated in Australian dollars.

#### **RISKS AND UNCERTAINTIES**

Pancontinental is in the business of exploring for minerals and if successful, ultimately mining them. The mining sector is by its nature, cyclical, competitive and risky. Many of these risks are beyond the Company's control. Investment in the mining sector in general and the exploration sector, in particular, involves a great deal of risk and uncertainty and Pancontinental's common shares should be considered as a highly speculative investment. Current and potential investors should give special consideration to the risk factors involved.

##### ***Acquisition Risk***

Pancontinental uses its best judgment to acquire mineral properties or projects and, in pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including agreements to finance the acquisition and development of the mineral properties or projects. The Company cannot provide assurance that it can complete any acquisition that it pursues, on favourable terms, or that any acquisition will ultimately benefit the Company.

##### ***Price Risk***

The ability of Pancontinental to finance the exploration and develop its properties and the future profitability of the Company is strongly related to: the market price of its primary minerals (uranium and REE); market price of the Company's equities; and, general commodity and investor sentiment. Mineral and equity prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in either the prices of its identified primary minerals, the Company's issued equities or investor sentiment could have a negative impact on the Company's ability to raise additional capital and develop its projects.

##### ***Competition Risk***

Pancontinental must compete with a number of other companies that possess greater financial and technical resources. Competition in the mining sector could adversely affect the Company's ability to acquire mineral properties or projects.

##### ***Conflicts of Interest***

Certain directors and officers of Pancontinental, in their personal capacities or as directors or officers of other companies, are engaged or have interests in mineral exploration and development activities outside of the Company. Accordingly, exploration opportunities or prospects of which they become aware of may not necessarily be made available to the Company.

##### ***Dependence on Management and Crossland***

Pancontinental is very dependent upon the efforts and commitment of its directors, management and Crossland, to the extent that if the services of the directors or management were not available, or Crossland failed to perform its obligations or conduct sufficient exploration activities on the Joint Venture, a disruption in the Company's operations may occur and/or the Company may not earn its interest in the Joint Venture.

##### ***Environmental Risk***

The exploration and development activities conducted on Pancontinental's mineral properties are subject to the environmental laws and regulations of the country in which the activities take place. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties, more stringent environmental assessments and a heightened degree of responsibility for companies and their officers, directors and employees. Although the Company undertakes to comply with current environmental laws and regulations, there is no assurance that future changes in environmental laws or regulations will not adversely affect the Company's operations.

## **Pancontinental Uranium Corporation**

### **Management's Discussion & Analysis (for the twelve month period ended December 31, 2010)**

#### ***Exploration and Risk***

There is no assurance that the activities of Pancontinental will be successful and result in economic deposits being discovered and in fact, most companies are unsuccessful due to the low probability of discovering an economic deposit. Once a mineralization is discovered, it may take several years until production is possible during which time the economics of a project may change. Substantial expenditures are required to establish reserves through drilling. Pancontinental's ability to establish a profitable mining operation is subject to a host of variables, such as technical and economic factors and regulatory issues. Exploration activities involve risks which even a combination of experience, knowledge and prudence may not be able to overcome. Exploration activities are subject to hazards which could result in injury or death, property damage, adverse environmental conditions and legal liability.

#### ***Financing and Liquidity Risk***

Pancontinental does not have any producing properties or projects and no source of regular revenue. The Company's ability to finance its exploration and development activities and make acquisitions is highly dependent upon its ability to raise capital in the financial markets. Pancontinental will require significant capital to finance its overall objectives and there is no assurance that the Company will be able to raise the capital required and continue as a going concern.

#### ***Political and Other Risks***

Pancontinental's mineral exploration properties, in Australia and Burkina Faso, expose the Company to different considerations and other risks not typically associated with companies in North America. Such risks are associated with the political, economic, taxation and legal environments. The Company's ability to raise and deploy capital may be adversely affected by changes in political and social conditions and by changes in government policies, taxes, laws and regulations.

#### ***Property Title Risk***

Although Pancontinental takes reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged, impugned or renounced.

**Schedule "A"**

**MINERAL PROPERTIES**

	Australia						Burkina Faso			As at Dec. 31, 2010
	Charley Creek	Chilling	Kalabity	Crossland Creek	Other	Total	Oursi	Other	Total	
<b>Acquisition and property</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2009	133,409	133,860	42,940	-	-	310,209	27,657	37,328	64,985	<b>375,194</b>
Acquisition costs	-	-	-	-	15,300	15,300	-	-	-	<b>15,300</b>
Land access and sacred sites	585,202	7,170	-	-	-	592,372	-	-	-	<b>592,372</b>
Permits and tenements	31,357	27,930	1,548	25,097	202	86,134	-	-	-	<b>86,134</b>
	616,559	35,100	1,548	25,097	15,502	693,806	-	-	-	<b>693,806</b>
Write down	-	-	-	(25,097)	-	(25,097)	(27,657)	(37,328)	(64,985)	<b>(90,082)</b>
Balance, December 31, 2010	749,968	168,960	44,488	-	15,502	978,918	-	-	-	<b>978,918</b>
<b>Exploration</b>										
Balance, December 31, 2009	1,824,354	2,659,140	445,642	-	-	4,929,136	83,573	18,898	102,471	<b>5,031,607</b>
Assays, laboratory, metallurgy	14,800	75,860	23,569	-	-	114,229	-	-	-	<b>114,229</b>
Drilling	310,427	-	49,451	-	-	359,878	-	-	-	<b>359,878</b>
Equipment	165,156	25,864	12,816	-	-	203,836	-	-	-	<b>203,836</b>
Field expenses	112,334	33,646	4,120	-	-	150,100	(630)	-	(630)	<b>149,470</b>
Field office and administration	94,948	15,880	1,806	11	-	112,645	820	5,494	6,314	<b>118,959</b>
Geologist/field consulting/wages	410,369	175,321	38,544	2,411	-	626,645	59	-	59	<b>626,704</b>
Geological/technical consulting	235,522	106,693	10,132	3,241	-	355,588	-	-	-	<b>355,588</b>
Geophysics and surveys	10,914	-	-	-	-	10,914	-	-	-	<b>10,914</b>
Operator costs	251,464	74,335	23,986	6,055	15	355,855	-	-	-	<b>355,855</b>
Reports and maps	1,956	1,068	14	-	-	3,038	-	-	-	<b>3,038</b>
Road maintenance	(373)	(2,306)	-	-	-	(2,679)	-	-	-	<b>(2,679)</b>
Travel	96,150	44,164	18,480	-	-	158,794	(189)	-	(189)	<b>158,605</b>
	1,703,667	550,525	182,918	11,718	15	2,448,843	60	5,494	5,554	<b>2,454,397</b>
Write down	-	-	-	(11,718)	-	(11,718)	(83,633)	(24,392)	(108,025)	<b>(119,743)</b>
Balance, December 31, 2010	3,528,021	3,209,665	628,560	-	15	7,366,261	-	-	-	<b>7,366,261</b>
<b>Total</b>	<b>4,277,989</b>	<b>3,378,625</b>	<b>673,048</b>	<b>-</b>	<b>15,517</b>	<b>8,345,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,345,179</b>