

NOVA URANIUM CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2009

AUDITORS' REPORT

To the Shareholders of
Nova Uranium Corporation

We have audited the balance sheets of Nova Uranium Corporation as at June 30, 2009 and 2008 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

October 23, 2009



NOVA URANIUM CORPORATION
BALANCE SHEETS
AS AT JUNE 30

	2009	2008
ASSETS		
Current		
Cash	\$ 338,190	\$ 830,345
Prepaid expense	-	15,550
Receivables (Notes 3 and 7)	<u>1,830,586</u>	<u>285,199</u>
	2,168,776	1,131,094
Mineral properties (Note 3)	1,004,410	656,985
Equipment (Note 4)	<u>1,266</u>	<u>1,806</u>
	<u>\$ 3,174,452</u>	<u>\$ 1,789,885</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	<u>\$ 231,269</u>	<u>\$ 151,095</u>
Shareholders' equity		
Capital stock (Note 5)	7,841,008	7,409,159
Contributed surplus (Note 5)	2,769,075	2,718,713
Deficit	<u>(7,666,900)</u>	<u>(8,489,082)</u>
	<u>2,943,183</u>	<u>1,638,790</u>
	<u>\$ 3,174,452</u>	<u>\$ 1,789,885</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

On behalf of the Board:

“Bryan Slusarchuk”

Director

“Michael Williams”

Director

The accompanying notes are an integral part of these financial statements.

NOVA URANIUM CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED JUNE 30

	2009	2008
EXPENSES		
Amortization	\$ 540	\$ 775
Filing fees and transfer agent	21,522	21,896
Management fees	60,000	63,314
Office and sundry	60,780	84,664
Printing and advertising	3,802	12,222
Professional fees	46,519	71,659
Property investigation costs	58,748	36,027
Rent	40,075	28,016
Stock-based compensation (Note 5)	50,362	-
Telephone	7,398	12,519
Trade shows and shareholder communication	14,924	16,491
Travel	<u>80,013</u>	<u>20,165</u>
Loss before other items and income taxes	(444,683)	(367,748)
OTHER ITEMS		
Write-off mineral property (Note 3)	(539,242)	(5,258,651)
Mineral property recovery (Note 3)	1,734,051	-
Interest income	<u>72,056</u>	<u>13,560</u>
Income (loss) before income taxes	822,182	(5,612,839)
Future income tax recovery (Note 6)	<u>-</u>	<u>701,086</u>
Net income (loss) and comprehensive income (loss) for the year	822,182	(4,911,753)
Deficit, beginning of year	<u>(8,489,082)</u>	<u>(3,577,329)</u>
Deficit, end of year	<u>\$ (7,666,900)</u>	<u>\$ (8,489,082)</u>
Basic and diluted income (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.21)</u>
Weighted average number of common shares outstanding	<u>26,619,891</u>	<u>23,510,967</u>

The accompanying notes are an integral part of these financial statements.

NOVA URANIUM CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 822,182	\$ (4,911,753)
Items not affecting cash:		
Future income tax recovery	-	(701,086)
Amortization	540	775
Write-off mineral property	539,242	5,258,651
Recovery on written-off mineral property	(1,734,051)	-
Stock-based compensation	50,362	-
Change in non-cash working capital items:		
Decrease (increase) in receivables	79,985	(166,316)
Decrease (increase) in prepaid expense	15,550	(5,250)
Increase (decrease) in accounts payable and accrued liabilities	<u>78,995</u>	<u>(13,919)</u>
Net cash used in operating activities	<u>(147,195)</u>	<u>(538,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(893,639)	(1,073,574)
Cost recovery of expenditures on mineral properties	<u>108,679</u>	<u>78,817</u>
Net cash used in investing activities	<u>(784,960)</u>	<u>(994,757)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	440,000	2,055,348
Share issue costs	<u>-</u>	<u>(220,356)</u>
Net cash provided by financing activities	<u>440,000</u>	<u>1,834,992</u>
Change in cash during the year	(492,155)	301,337
Cash, beginning of year	<u>830,345</u>	<u>529,008</u>
Cash, end of year	<u>\$ 338,190</u>	<u>\$ 830,345</u>

Supplemental disclosure with respect to cash flows (Note 8)

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Nova Uranium Corporation (the "Company") is an exploration stage company incorporated under the Canada Business Corporations Act.

The Company is in the process of acquiring and exploring its mineral properties in Canada and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

Market conditions may make the present environment for raising additional equity financing unfavourable. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will be available or available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. See Note 9 for further disclosure regarding liquidity risk.

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, estimated useful lives for equipment, valuation allowance applied against future income tax assets and government grants and stock-based compensation.

Mineral properties

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties (cont'd...)

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Government assistance and tax credits

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

Tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the applicable government agency.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Equipment

Equipment, consisting of computer equipment, is recorded at cost. Amortization is recorded on a declining balance basis at 30% per annum.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes the fair value of compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders

When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired. There were no transitional adjustments as a result of the application of the financial instrument accounting policies. Company has implemented the following classifications for its financial instruments: The Company has implemented the following classifications for its financial instruments:

- a) Cash has been classified as held-for-trading.
- b) Receivables have been classified as loans and receivables and measured at amortized cost.
- c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financing charges

Financing charges that reflect the cost to obtain new debt financing are expensed as incurred. Financing charges that reflect the cost to obtain new equity financing are deducted from shareholders equity.

Changes in accounting policies

On July 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. The adoption of these new pronouncements did not affect the Company's financial position or results of operations. The new standards and accounting policy changes are as follows:

Section 1400 – Assessing going concern

CICA Handbook Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern (Note 1).

Section 3862 – Financial instruments – disclosures

This Section requires the Company to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in Note 9.

Section 3863 – Financial instruments – presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have an effect on the financial statements.

Section 1535 – Capital disclosures

This Section requires the disclosure of qualitative and quantitative information that enables the users to evaluate the Company's objectives, policies and processes for managing capital as well as the implications of non-compliance (Note 10).

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

New accounting standards

Goodwill and intangible assets

The CICA issued a new accounting standard, Section 3064 “Goodwill and Intangible Assets” which will replace the existing Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This standard is effective for the Company’s interim and annual consolidated financial statements commencing July 1, 2009. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual financial statements for its fiscal year beginning July 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

Credit risk and the fair value of financial assets and liabilities

In January 2009 the Emerging Issues Committee (“EIC”) issued EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company’s interim and annual financial statements commencing July 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

International financial reporting standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

NOVA URANIUM CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

3. MINERAL PROPERTIES

The Company's mineral properties consist of:

	Fortune Uranium Property	Pom-Pom Project (James Bay)	Otish Mountain Basin	Total Mineral Properties
Acquisition costs:				
Balance, June 30, 2008	\$ 18,500	\$ 12,305	\$ 185,000	\$ 215,805
Option payments	<u>9,900</u>	<u>-</u>	<u>-</u>	<u>9,900</u>
Write-off	<u>28,400</u> -	<u>12,305</u> (12,305)	<u>185,000</u> -	<u>225,705</u> (12,305)
Balance, June 30, 2009	<u>28,400</u>	<u>-</u>	<u>185,000</u>	<u>213,400</u>
Exploration costs:				
Balance, June 30, 2008	<u>229,142</u>	<u>113,187</u>	<u>98,851</u>	<u>441,180</u>
Assay	650	-	-	650
Field expenses	22,580	335,172	351,989	709,741
Geological consulting	12,410	13,190	34,000	59,600
Geophysics	-	41,388	41,388	82,776
Project management	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Write-off	<u>35,640</u> -	<u>403,750</u> (516,937)	<u>427,377</u> -	<u>866,767</u> (516,937)
Balance, June 30, 2009	<u>264,782</u>	<u>-</u>	<u>526,228</u>	<u>791,010</u>
Total costs	\$ 293,182	\$ -	\$ 711,228	\$ 1,004,410

NOVA URANIUM CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

3. MINERAL PROPERTIES (cont'd...)

	Fortune Uranium Property	Pom-Pom Project (James Bay)	Otish Mountain Basin	Mont Laurier (Renard Creek)	Total Mineral Properties
Acquisition costs:					
Balance, June 30, 2007	\$ -	\$ -	\$ 185,000	\$ 419,068	\$ 604,068
Staking	-	12,305	-	-	12,305
Option payments	18,500	-	-	93,000	111,500
	18,500	12,305	185,000	512,068	727,873
Write-off	-	-	-	(512,068)	(512,068)
Balance, June 30, 2008	18,500	12,305	185,000	-	215,805
Exploration costs:					
Balance, June 30, 2007	-	-	-	4,199,250	4,199,250
Assay	-	-	-	53,432	53,432
Drilling	-	-	-	164,327	164,327
Equipment	513	-	-	19,425	19,938
Field expenses	135,607	39,154	40,560	178,433	393,754
Field personnel	-	-	-	42,077	42,077
Geological consulting	93,022	19,541	7,336	16,365	136,264
Geophysics	-	50,955	50,955	65,757	167,667
Project management	-	-	-	60,000	60,000
Report preparation	-	3,537	-	1,716	5,253
Transportation	-	-	-	21,601	21,601
Travel	-	-	-	3,017	3,017
	229,142	113,187	98,851	626,150	1,067,330
Cost-recoveries	-	-	-	(78,817)	(78,817)
Write-off	-	-	-	(4,746,583)	(4,746,583)
Balance, June 30, 2008	229,142	113,187	98,851	-	441,180
Total costs	\$ 247,642	\$ 125,492	\$ 283,851	\$ -	\$ 656,985

Title to mineral properties

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

3. MINERAL PROPERTIES (cont'd...)

Mont Laurier (Renard Creek), Quebec

The Company acquired a 100% interest in certain claims by staking and entered into an option agreement to earn a 100% interest in certain additional claims in Renard Creek, Quebec pursuant to which the Company paid \$50,000 and issued 250,000 common shares at a value of \$25,000 in fiscal 2005, paid \$25,000 and issued 150,000 common shares at a value of \$75,000 in fiscal 2006, issued 300,000 common shares at a value of \$222,000 in fiscal 2007 and issued 300,000 common shares at a value of \$93,000 during fiscal 2008. During fiscal 2009 the Company issued an additional 250,000 common shares at a value of \$10,000 in order to earn its interest.

Certain claims are subject to a 2% net smelter returns royalty of which 1.5% may be purchased by the Company for \$1,750,000.

Due to unfavorable results the Company abandoned drilling on one section of the property and consequently wrote-off acquisition and exploration costs of \$5,258,651 during fiscal 2008 and \$10,000 during fiscal 2009 to operations. During fiscal 2009 the Company recognized a mineral property recovery of \$1,734,051 as a result of government tax credits, of which \$1,625,372 was received subsequent to June 30, 2009.

Otish Mountain Basin, Quebec

During fiscal 2007 the Company acquired a 100% interest in the Otish Mountain mineral claims located in Quebec in consideration for \$40,000 and 225,000 common shares valued at \$145,000.

Pom - Pom Project, James Bay, Quebec

During fiscal 2008, the Company acquired, by staking, a 100% interest in the Pom-Pom project located on the east side of James Bay, Quebec.

Due to unfavorable results the Company abandoned exploration of the property and consequently wrote-off acquisition and exploration costs of \$529,242.

Fortune Uranium Property, Quebec

During fiscal 2008 the Company entered into an option agreement to earn a 100% interest in the Fortune Uranium Property, Quebec. To earn its interest the Company is required to pay an aggregate of \$25,000 and issue an aggregate 160,000 common shares over two years and incur \$150,000 of work expenditures over three years. Pursuant to the agreement the Company paid \$7,000 and issued 50,000 common shares valued at \$11,500 during fiscal 2008 and issued 50,000 common shares valued at \$2,500 during fiscal 2009. The property is subject to a 1% net smelter return royalty, which may be purchased at any time for \$500,000.

NOVA URANIUM CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

4. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,880	\$ 2,614	\$ 1,266	\$ 3,880	\$ 2,074	\$ 1,806

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Issued and Outstanding:			
Balance, at June 30, 2007	19,457,350	\$ 6,029,190	\$ 2,648,994
Flow-through private placement	6,515,281	2,055,348	-
Share issue costs	-	(290,075)	69,719
Mineral property acquisitions	350,000	104,500	-
Tax benefits renounced to flow through share subscribers	-	(489,804)	-
Balance at June 30, 2008	26,322,631	7,409,159	2,718,713
Private placement	8,800,000	440,000	-
Share issue costs	-	(20,651)	-
Mineral property acquisitions	300,000	12,500	-
Stock based compensation	-	-	50,362
Balance at June 30, 2009	35,422,631	\$ 7,841,008	\$ 2,769,075

During the year ended June 30, 2009, the Company:

- a) Issued 8,800,000 common shares for proceeds of \$440,000. The Company incurred other share issuance costs of \$20,651.
- b) Issued 300,000 common shares valued at \$12,500 pursuant to the acquisition of mineral properties.

During the year ended June 30, 2008, the Company:

- a) Issued 4,265,281 flow-through common shares for proceeds of \$1,492,848 and 2,250,000 non flow-through common shares for proceeds of \$562,500. The Company paid \$124,535 and issued 529,855 warrants valued at \$69,719 as finders' fees. Included in the warrants are 382,855 exercisable for two years at \$0.35 and 147,000 exercisable for two years at \$0.25. The Company incurred other share issuance costs of \$95,821.
- b) Issued 350,000 common shares valued at \$104,500 pursuant to the acquisition of mineral properties.

NOVA URANIUM CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, June 30, 2007	100,000	\$ 1.25	1,820,000	\$ 2.31
Granted	529,855	0.32	-	-
Expired/cancelled	-	-	(240,000)	2.71
Outstanding and exercisable, June 30, 2008	629,855	0.47	1,580,000	2.25
Granted	-	-	1,600,000	0.10
Expired/cancelled	(100,000)	1.25	(1,300,000)	2.50
Outstanding and exercisable, June 30, 2009	529,855	\$ 0.32	1,880,000	\$ 0.14

The following incentive stock options and warrants were outstanding at June 30, 2009:

	Number of Shares	Exercise Price	Expiry Date
Options	20,000	0.10	October 26, 2010
	80,000	0.50	October 26, 2010
	100,000	0.50	December 1, 2010
	80,000	0.10	January 23, 2011
	1,600,000	0.10	May 25, 2014
Warrants	382,855	0.35	November 29, 2009
	147,000	0.25	November 29, 2009

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years with vesting determined by the board of directors.

NOVA URANIUM CORPORATION
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5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation

The Company granted 1,600,000 (2008 – Nil) options with a weighted-average fair value per option of \$0.03 (2008 - \$Nil) to directors, employees and consultants. During fiscal 2009 1,600,000 (2008 – Nil) options became fully vested and exercisable. Using the Black-Scholes option pricing model to determine fair-value, total stock-based compensation recognized in the Statement of Operations and Deficit for the year ended June 30, 2008 was \$47,738 (2008 - \$Nil).

The Company repriced 100,000 (2008 – Nil) options with a weighted average fair value per option of \$0.03 (2008 - \$Nil) to employees. Using the Black-Scholes option pricing model to determine fair-value, total stock-based compensation recognized in the Statement of Operations and Deficit for the year ended June 30, 2009 was \$2,624 (2008 - \$Nil).

The following weighted average assumptions were used for valuing the stock options granted during the year:

	2009	2008
Risk-free interest rate	2.28%	3.65%
Expected life	2.5 Years	2 years
Expected volatility	87.09%	92%
Dividend rate	0.00%	0.00%

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Income (loss) before income taxes	\$ 822,182	\$ (5,612,839)
Expected income tax (recovery)	\$ 248,710	\$ (1,841,573)
Other items	(49,249)	19,272
Stock-based compensation not deductible for income tax purposes	15,235	-
(Recovery) Write-down of mineral properties	(292,254)	1,725,364
(Recognized) unrecognized benefits of non-capital losses and resource pools	77,558	(604,149)
Future income tax (recovery)	\$ -	\$ (701,086)

NOVA URANIUM CORPORATION
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JUNE 30, 2009

6. INCOME TAXES (cont'd...)

Amounts of future income tax assets are as follows:

	2009	2008
Future income tax assets:		
Non-capital loss carryforwards	\$ 283,474	\$ 227,214
Share issue costs and other	107,614	137,421
Mineral properties	<u>511,998</u>	<u>281,123</u>
	903,086	645,758
Valuation allowance	<u>(903,086)</u>	<u>(645,758)</u>
Net future income tax liability	\$ -	\$ -

The Company has approximately \$1,134,000, in non-capital losses, which may be carried forward and applied against taxable income in future years. These losses, if not utilized, expire through 2029. The Company also has, subject to certain restrictions, mineral property resource expenditures available to reduce future years' taxable income.

During the year ended June 30, 2008, the Company issued 4,265,281 common shares on a flow-through basis for gross proceeds of \$1,492,848. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During the year ended June 30, 2008, the Company renounced exploration expenditures of \$1,492,848 resulting in a charge to capital stock of \$489,804.

7. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties as follows:

- a) Paid or accrued \$60,000 (2008 - \$63,314) for management fees to a company controlled by the spouse of a former director.
- b) Paid or accrued \$10,000 (2008 - \$60,000) in project management fees for mineral property exploration costs to a former director.
- c) Paid or accrued \$12,000 (2008 - \$12,000) for legal fees to an officer of the Company.

Included in prepaids at June 30, 2009 were \$Nil (2008 - \$5,000) for project management fees for mineral property exploration paid to a director of the Company and \$Nil (2008 - \$10,550) for management fees to a company controlled by a spouse of a director.

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7. RELATED PARTY TRANSACTIONS (cont'd...)

Included in receivables is \$133,854 (2008 - \$236,238) due from a management company controlled by the spouse of a director. The Company advances funds to the management company which incurs administration expenditures and settles exploration expenditures on behalf of the Company. The revolving nature of the account resulted in a receivable balance at year end. Subsequent to June 30, 2009, the balance was settled.

These transactions 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.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2009	2008
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The significant non-cash transactions for fiscal 2009 consisted of the Company:

- a) issuing 300,000 common shares valued at \$12,500 pursuant to mineral property acquisitions;
- b) incurring mineral property expenditures of \$109,835 through accounts payable;
- c) recognizing mineral property recoveries in accounts receivable of \$1,625,372;
- d) incurring share issuance costs of \$20,651 through accounts payable.

The significant non-cash transactions for fiscal 2008 consisted of the Company:

- a) issuing 350,000 common shares valued at \$104,500 pursuant to mineral property acquisitions;
- b) incurring mineral property expenditures of \$129,307 through accounts payable;
- c) granting 529,855 warrants valued at \$69,719 as finders fees on a private placement.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash equivalents and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at June 30, 2009, the Company had a cash balance of \$338,190 (2008 - \$830,345) to settle current liabilities of \$231,269 (2008 - \$151,095). To maintain liquidity, the Company is currently investigating financing opportunities. As disclosed in Note 1, current market conditions make the present environment for raising additional equity financing unfavourable and there can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and marketable securities.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2009 the Company:

- a) Granted stock options to acquire 1,650,000 shares at a price of \$0.15 for a period of 5 years.
- b) Granted stock options to acquire 300,000 shares at a price of \$0.15 for a period of 2 years.
- c) Issued 300,000 shares for proceeds of \$30,000 pursuant to the exercise of stock options.
- d) Entered into an option agreement to earn a 100% interest in the Gold Coin Property, Arizona. To earn its interest the Company is required to pay an aggregate of \$1,000,000 over a ten year period. The property is subject to a 2% net smelter return royalty, which may be purchased at any time for \$500,000 per 0.5%.