

Consolidated Financial Statements

**Aldershot Resources Ltd.**

**(an exploration stage company)**

(Expressed in Canadian dollars)

January 31, 2011 and 2010

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Aldershot Resources Ltd.**

We have audited the accompanying consolidated financial statements of **Aldershot Resources Ltd.**, which comprise the consolidated balance sheet as at January 31, 2011 and 2010 and the consolidated statements of operations, comprehensive loss 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audit 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 **Aldershot Resources Ltd.** as at January 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$1,059,251 during the year ended January 31, 2011 and, as of that date, the Company has an accumulated deficit of \$18,999,618. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada,  
April 7, 2011.

*Ernst & Young LLP*

Chartered Accountants

**Aldershot Resources Ltd.**  
(an exploration stage company)

**CONSOLIDATED BALANCE SHEETS**

[See Note 1 - Nature of Operations and Going Concern Uncertainty]

As at January 31

	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 3]</i>	121,705	187,521
Accounts receivable	12,356	1,705
Prepaid expenses and deposits	13,317	7,469
	<b>147,378</b>	196,695
Restricted cash <i>[note 5]</i>	8,914	12,284
Equipment <i>[note 4]</i>	33,645	48,819
Resource properties <i>[note 5]</i>	—	—
	<b>189,937</b>	257,798
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	51,035	60,057
Due to related parties <i>[note 9 (b)]</i>	5,207	2,804
Debenture payable <i>[notes 6 and 9(a)]</i>	89,520	—
	<b>145,762</b>	62,861
<b>Shareholders' equity</b>		
Capital stock <i>[note 7]</i>	12,441,509	12,231,269
Contributed surplus <i>[note 7]</i>	6,602,284	5,721,376
Deficit	(18,999,618)	(17,757,708)
	<b>44,175</b>	194,937
	<b>189,937</b>	257,798

Subsequent event *[note 13]*

*See accompanying notes*

On behalf of the Board:

“Jeremy Caddy”  
Director

“Philip G. Crabb”  
Director

**Aldershot Resources Ltd.**  
(an exploration stage company)

**CONSOLIDATED STATEMENTS OF OPERATIONS,  
COMPREHENSIVE LOSS AND DEFICIT**

Years ended January 31

	2011	2010
	\$	\$
<b>EXPENSES</b>		
Exploration (recoveries) [notes 5 and 9(a)]	210,956	(84,438)
Amortization [note 4]	16,109	24,046
Consulting fees [note 9(a)]	55,542	58,070
Insurance	4,810	12,093
Interest and bank charges [note 9(a)]	15,460	2,698
Investor relations	17,656	18,978
Office and miscellaneous	6,107	3,578
Professional fees	105,529	42,101
Property investigation costs	187,789	—
Regulatory and trust company fees	27,670	28,123
Rent [note 9(a)]	22,083	20,774
Salaries and benefits administration	166,696	130,584
Stock-based compensation [note 7]	191,236	74,436
Telephone	5,993	4,139
Travel	40,973	24,604
Loss before other items	(1,074,609)	(359,786)
<b>Other items</b>		
Equipment rentals [note 9(a)]	17,389	13,682
Foreign exchange gain (loss)	(4,468)	145
Interest income	2,437	2,090
	15,358	15,917
<b>Net loss and comprehensive loss for the year</b>	<b>(1,059,251)</b>	<b>(343,869)</b>
Deficit, beginning of year	(17,757,708)	(17,202,965)
Modification of warrant terms [note 7]	(182,659)	(210,874)
<b>Deficit, end of year</b>	<b>(18,999,618)</b>	<b>(17,757,708)</b>
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>82,312,153</b>	<b>71,131,662</b>

See accompanying notes

**Aldershot Resources Ltd.**  
(an exploration stage company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended January 31

	2011	2010
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(1,059,251)	(343,869)
Items not affecting cash:		
Amortization	16,109	24,046
Accretion included in interest and bank charges	7,373	—
Stock-based compensation	191,236	74,436
Changes in non-cash working capital items:		
Accounts receivable	(10,651)	5,186
Prepaid expenses and deposits	(5,848)	5,913
Accounts payable and accrued liabilities	(9,022)	(53,846)
<b>Cash (used in) operating activities</b>	<b>(870,054)</b>	<b>(288,134)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of equipment	(935)	(850)
Restricted cash	3,370	—
<b>Cash provided by (used in) investing activities</b>	<b>2,435</b>	<b>(850)</b>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	2,403	1,736
Proceeds from debenture payable	100,000	—
Share issue costs	(20,600)	(4,770)
Proceeds from issuance of share capital	720,000	265,790
<b>Cash provided by financing activities</b>	<b>801,803</b>	<b>262,756</b>
<b>Decrease in cash during the year</b>	<b>(65,816)</b>	<b>(26,228)</b>
Cash and cash equivalents, beginning of year	187,521	213,749
<b>Cash and cash equivalents, end of year</b>	<b>121,705</b>	<b>187,521</b>
<b>Supplemental information</b>		
Cash paid during the year for interest	1,600	2,698

*See accompanying notes*

**Aldershot Resources Ltd.**  
(an exploration stage company)

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

Aldershot Resources Ltd. (the “Company”) commenced operations on October 4, 1996 and is engaged in the acquisition and exploration of resource properties. The Company is in the exploration stage and has not yet determined whether its properties contain enough mineral reserves such that their recovery would be economically viable.

The Company has incurred losses since inception and as at January 31, 2011, the Company had an accumulated deficit of \$18,999,618. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is in substantial doubt and is dependent upon the continued support from its directors, the ability to continue to raise adequate financing or achieving profitable operations in the future, the outcome of which cannot be predicted at this time. Management is seeking financing and business opportunities, including joint venture or merger opportunities or acquisition of properties to continue operations. Financing options available to the Company include public equity financings and loans. These consolidated financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

### **2. SIGNIFICANT ACCOUNTING POLICIES INCLUDING NEW STANDARDS**

#### **a) New Canadian accounting standards International Financial Reporting Standards (“IFRS”)**

In February 2008, the CICA Accounting Standards Board confirmed that the use of IFRS will be required effective January 1, 2011 for public companies in Canada (i.e., IFRS will replace Canadian generally accepted accounting principles for public companies). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of determination of the Company’s functional currency and general IFRS disclosure requirements. The Company is currently finalizing its assessment of the specific impact on the Company’s financial reporting and will implement IFRS for its fiscal year beginning February 1, 2011.

**Aldershot Resources Ltd.**  
(an exploration stage company)

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES INCLUDING NEW STANDARDS (cont'd)**

#### **b) Significant accounting policies**

##### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, all of which are inactive: Aldershot Holdings Ltd., Aldershot Resources Zambia Limited (previously Kariba Uranium Limited), O'Higgins Minerals Ltd. and 0795134 BC Ltd. All significant intercompany transactions and balances have been eliminated.

##### **Use of estimates**

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date that the consolidated financial statements and revenues and expenses for the period are reported. Management has made a number of significant estimates and valuation assumptions, including assumptions concerning the useful lives of equipment, valuation of fair market value of non-cash consideration and determination of accruals. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and all highly liquid investments that are readily convertible into cash with maturity dates not to exceed 90 days from the date of issuance.

##### **Restricted cash**

Cash is considered to be restricted as it is subject to rights of a government agency.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES INCLUDING NEW STANDARDS (cont'd)**

#### **b) Significant accounting policies (cont'd)**

##### **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is provided for over the estimated useful lives of the assets at the following annual rates:

Computer equipment	45% declining-balance basis
Furniture and fixtures	20% declining-balance basis
Mining and resource equipment	30% declining-balance basis

##### **Exploration and development costs**

Exploration costs are charged to operations as incurred.

When it has been established that mineral reserves are determined to be proven and probable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Capitalized amounts may be written down if future undiscounted cash flows, including potential sales proceeds, related to a mineral property are estimated to be less than the carrying value of the property.

##### **Resource properties**

Resource property acquisition costs are capitalized until the viability of the mineral interest is determined. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

The capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of the Company reviews the carrying value of each resource property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the estimated future net cash flows.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES INCLUDING NEW STANDARDS (cont'd)**

#### **b) Significant accounting policies (cont'd)**

##### **Resource properties (cont'd)**

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. Any option payments received that relate to exploration costs are recorded as a recovery of such costs.

##### **Impairment of long-lived assets**

Long-lived assets are assessed for impairment when events and circumstances warrant an analysis. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings. Fair value is generally determined using a discounted cash flow analysis.

##### **Asset retirement obligations**

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site, are recognized and recorded as a liability at fair value as at the time in which they are incurred or the event occurs giving rise to such an obligation. The liability is increased (accreted) over time through periodic charges to earnings. The corresponding asset retirement cost is capitalized as part of the asset's carrying value, and is amortized over the asset's estimated useful life. The amount of the liability will be subject to re-measurement at each reporting period.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES INCLUDING NEW STANDARDS (cont'd)**

#### **b) Significant accounting policies (cont'd)**

##### **Asset retirement obligations (cont'd)**

The Company, where possible, has estimated asset retirement obligations based on current best practice. These estimates, made by management, are subject to change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised. As at January 31, 2011 and 2010, the Company does not have any asset retirement obligations.

##### **Stock-based compensation**

The Company accounts for all stock options using the fair value method. Under this method, the fair value of the stock options at the date of grant is recognized as a charge to stock-based compensation expense and is amortized over the vesting period with the offsetting credit to contributed surplus. Fair value is determined using an option pricing model.

##### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using historical rates. Revenue and expense items are translated at exchange rates prevailing at the time of the transaction. Foreign exchange gains and losses are included in the determination of net loss for the year.

##### **Income taxes**

Income taxes are accounted for under the liability method of accounting for income taxes. Under the liability method, future tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES INCLUDING NEW STANDARDS (cont'd)**

#### **b) Significant accounting policies (cont'd)**

##### **Income taxes (cont'd)**

Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. Tax credits are recorded when received and are shown as a recovery against the related exploration costs.

##### **Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments with the loss per share calculated using the weighted average number of shares outstanding during the year. Under this method, the dilutive effect on earnings 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 period. For loss per share information the dilutive effect is the same as the basic amount, as the Company's net loss from operations causes the dilutive securities outstanding to be anti-dilutive.

##### **Financial instruments**

The Company accounts for its financial instruments in accordance with CICA *Section 3855 Financial Instruments—Recognition and Measurement*. This standard requires that all financial instruments be classified as one of the following categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale assets or other financial liabilities. All financial assets and liabilities (including derivatives) are measured at fair value on initial recognition except for those classified as loans and receivables, held-to-maturity and other financial liabilities, which are measured at amortized cost using an effective interest rate method.

Subsequent measurements and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income or loss and available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income or loss until the investment is derecognized or impaired at which time the amounts would be recorded in net income or loss.

**Aldershot Resources Ltd.**  
(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

**3. CASH AND CASH EQUIVALENTS**

	<b>2011</b>	<b>2010</b>
	\$	\$
Cash	<b>41,705</b>	46,521
Cash equivalents	<b>80,000</b>	141,000
	<b>121,705</b>	187,521

As at January 31, 2011, the Company had cash of Australian dollars (“AUD”) \$28,963 (2010 – AUD \$23,551) which is included in the above amounts.

**4. EQUIPMENT**

	<b>Accumulated Cost</b>	<b>Net Book Amortization</b>	<b>Value</b>
	\$	\$	\$
<b>2011</b>			
Computer equipment	<b>46,885</b>	<b>40,584</b>	<b>6,301</b>
Furniture and fixtures	<b>9,946</b>	<b>7,803</b>	<b>2,143</b>
Mining and resource equipment	<b>104,631</b>	<b>79,430</b>	<b>25,201</b>
	<b>161,462</b>	<b>127,817</b>	<b>33,645</b>
<b>2010</b>			
Computer equipment	45,950	35,811	10,139
Furniture and fixtures	9,946	7,268	2,678
Mining and resource equipment	104,631	68,629	36,002
	160,527	111,708	48,819

**Aldershot Resources Ltd.**  
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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **5. RESOURCE PROPERTIES**

The Company has successfully partnered with other joint venturers to continue work on its resource properties at minimal cost to the Company. There is no carrying value of the Company's resource properties. The current status of the Company's resource properties is as follows:

#### **Australia**

These licences are granted by the local government and are subject to various mining regulations and reporting in order to maintain them in good standing which the Company has complied with.

##### **i) South Australia—Martin's Well Project**

During the year ended January 31, 2011, the Company entered into an agreement with Strategic Minerals Corporation whereby the Company may acquire a 70% interest in a mining licence, focusing on iron ore mineralization, in South Australia by spending AUD \$250,000 (Canadian dollars "CAD" \$248,475) in exploration expenditures over a two year period.

##### **ii) Northern Territory**

During the year ended January 31, 2010, the Company partnered with Royal Resources Limited ("Royal"), a related company that has a director in common with the Company, granting Royal the option to acquire a 60% interest in certain of the Company's licences in the Northern Territory. Under the terms of the agreement, Royal paid the Company \$83,937 (AUD \$100,000) and must spend at least AUD \$900,000 (CAD \$894,510) of exploration expenditures on the properties over a three year period. Once the required level of expenditures are made by Royal, the Company must pay its pro-rata share of costs to retain its 40% ownership of the property. As at January 31, 2011, Royal has advised the Company of their level of expenditures and the Company is now in discussions with them to determine whether the requirements of the agreement have been met for them to earn their 60% interest.

The Company also retains a 2% net smelter royalty on the Mt. Thomas licence in the Northern Territory which it previously sold.

**Aldershot Resources Ltd.**  
(an exploration stage company)

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **5. RESOURCE PROPERTIES (cont'd)**

#### iii) Western Australia—Turee Creek

During the year ended January 31, 2009, the Company entered into an agreement with Cameco Australia Pty Ltd. (“Cameco”) granting Cameco the option to acquire a 70% interest in the Turee Creek licence. Under the terms of the agreement, Cameco paid the Company \$197,474 and must spend at least AUD \$2,500,000 (CAD \$2,484,750) of exploration expenditures on the property over a four year period. During the year ended January 31, 2011, Cameco advised the Company that they would not be proceeding with any further exploration on this licence and terminated their rights under the agreement. The Company is maintaining the licences and is reviewing further exploration plans in this area.

#### iv) Western Australia—Yuinmery

During the year ended January 31, 2011, the Company entered into an agreement with Resource Star Ltd. (“RSL”) granting RSL the option to acquire the Yuinmery licence for a total cash payment of AUD \$60,000 (CAD \$59,634) and the issuance of shares of RSL worth AUD \$50,000 (CAD \$49,695). Under the terms of the agreement, RSL paid the Company an option fee of \$10,244 (AUD \$10,000). This option fee was refundable if Aldershot was not able to extend the expiry term of the licence by two years to 2012. The extension of the licence was granted on December 31, 2010, so this option fee is no longer refundable, and has therefore been recorded as a recovery of exploration costs. RSL has six months (expiring June 17, 2011) to exercise their option to acquire the licence, and as of January 31, 2011, they have not yet indicated their intention to exercise this option.

The Company has a total of \$8,914 (January 31, 2010 - \$12,284) in guarantees for two properties in Australia regarding performance under two separate exploration licences. These funds are held as term deposits and are restricted from general operation business funds.

**Aldershot Resources Ltd.**  
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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **5. RESOURCE PROPERTIES (cont'd)**

#### **Kariba Project, Republic of Zambia, Africa**

The Company has been granted two prospecting licences; one which is located in the southern part of the Republic of Zambia and on the northern shores of Lake Kariba covering approximately 500 square kilometers and the other further south and adjacent to this licence which covers an area of approximately 250 square kilometers. During the year ended January 31, 2010, the Company entered into an agreement with African Energy Resources Zambia Ltd. ("African Energy") granting African Energy the option to acquire an initial 51% interest in these two licences in Zambia. Under the terms of the agreement, African Energy must spend at least AUD \$500,000 (CAD \$496,950) of exploration expenditures on the properties over a three year period. African Energy can increase its ownership to 70% through the completion of a Prefeasibility Study on an inferred resource. Once the required level of expenditures are made by African Energy, the Company must pay its pro-rata share of costs to retain its 49% ownership of the property. As of January 31, 2011, African Energy had not incurred sufficient exploration expenditures to acquire their 51% interest in these licences.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011 and 2010

### 5. RESOURCE PROPERTIES (cont'd)

The following is a summary of exploration costs incurred by the Company related to its resource properties, and charged to operations.

2011	AUSTRALIA			ZAMBIA		TOTAL
	South Australia \$	Northern Territory \$	Yuimery \$	Turee Creek \$	Lake Kariba \$	
Drilling	56,096	—	—	—	—	56,096
Equipment rental	9,232	97	—	—	—	9,329
Field crew labour	9,696	—	—	—	—	9,696
Geological consulting	52,962	397	9,914	6,032	674	69,979
Geophysical and airborne surveying	12,167	—	—	—	—	12,167
Lab tests and assays	—	—	—	—	—	—
Maintenance, licence and staking fees	25,578	—	12,466	—	—	38,044
Maps and reproduction	—	762	—	—	—	762
Materials and field supplies	6,200	—	—	—	—	6,200
Meals and lodging	5,745	—	717	279	—	6,741
Telephone and communication	1,362	—	—	—	—	1,362
Travel and transport	7,742	—	2,571	511	—	10,824
	186,780	1,256	25,668	6,822	674	221,200
Recovery of exploration costs						
Option payments and other	—	—	(10,244)	—	—	(10,244)
	—	—	(10,244)	—	—	(10,244)
<b>Total exploration costs for the year</b>	<b>186,780</b>	<b>1,256</b>	<b>15,424</b>	<b>6,822</b>	<b>674</b>	<b>210,956</b>

**Aldershot Resources Ltd.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**5. RESOURCE PROPERTIES (cont'd)**

2010	CANADA	AUSTRALIA		ZAMBIA		TOTAL
	Quebec \$	Northern Territory \$	Yuimery \$	Turee Creek \$	Lake Kariba \$	
Equipment rental	—	158	—	98	—	256
Field crew labour	—	1,332	424	—	43	1,799
Geological consulting	1,403	18,114	7,151	1,991	18,321	46,980
Geophysical and airborne surveying	—	—	—	—	—	—
Lab tests and assays	—	615	—	—	—	615
Maintenance, licence and staking fees	—	3,019	8,653	—	—	11,672
Maps and reproduction	—	—	—	—	—	—
Materials and field supplies	—	—	—	—	—	—
Meals and lodging	—	—	524	—	—	524
Telephone and communication	—	348	—	31	52	431
Travel and transport	—	89	—	221	—	310
	1,403	23,675	16,752	2,341	18,416	62,587
Recovery of exploration costs						
Tax credits	(63,088)	—	—	—	—	(63,088)
Option payments	—	(83,937)	—	—	—	(83,937)
	(63,088)	(83,937)	—	—	—	(147,025)
<b>Total exploration costs for the year</b>	<b>(61,685)</b>	<b>(60,262)</b>	<b>16,752</b>	<b>2,341</b>	<b>18,416</b>	<b>(84,438)</b>

**Aldershot Resources Ltd.**  
(an exploration stage company)

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **6. DEBENTURE PAYABLE**

On July 9, 2010 the Company entered into a convertible debenture agreement for \$100,000 with a company controlled by a director of the Company. The debenture is unsecured, bears interest at 10% per annum and is due on or before December 31, 2011. The debenture and any accrued interest owing is convertible into common shares of the Company at the lender's option at \$0.10 per share until December 31, 2011. The Company may repay the debenture at any time prior to maturity. A total of 1,000,000 common shares may be issuable in conjunction with the conversion of this debenture.

In accordance with generally accepted accounting principles, the fair value of the conversion option has been calculated using *the Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.45%; expected life of 1½ years; volatility of 191.4% and dividend yield of 0.0%. The resultant value of \$17,853 has been reclassified to contributed surplus and will be accreted over the life of the debenture. For the year ended January 31, 2011, \$7,373 has been accreted and is included in interest and bank charges expense, along with accrued interest payable (included in accounts payable and accrued liabilities) of \$6,439 for a total interest charge of \$13,812. The remaining balance of the debenture payable after accretion is \$89,520 as at January 31, 2011.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**7. CAPITAL STOCK**

Authorized

10,000,000 Series "A" cumulative, redeemable,  
convertible preferred shares with a par value of \$1

Issued: nil [2010 - nil]

500,000,000 common shares without par value

**Common shares**

	<b>Number of Shares #</b>	<b>Capital Stock \$</b>	<b>Contributed Surplus \$</b>
<b>Issued:</b>			
<b>Balance as at January 31, 2009</b>	65,233,308	12,165,937	5,240,378
Private placement [i]	8,859,667	265,790	—
Valuation of warrants pursuant to private placement [i]	—	(195,688)	195,688
Share issue costs [i]	—	(4,770)	—
Stock-based compensation	—	—	74,436
Modification of warrant terms	—	—	210,874
<b>Balance as at January 31, 2010</b>	74,092,975	12,231,269	5,721,376
Private placement [i and ii]	14,400,000	720,000	—
Valuation of warrants pursuant to private placement [i and ii]	—	(489,160)	489,160
Share issue costs [i and ii]	—	(20,600)	—
Stock-based compensation	—	—	191,236
Modification of warrant terms	—	—	182,659
Conversion feature of convertible debenture [note 6]	—	—	17,853
<b>Balance as at January 31, 2011</b>	<b>88,492,975</b>	<b>12,441,509</b>	<b>6,602,284</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011 and 2010

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### 7. CAPITAL STOCK (cont'd)

During the year ended January 31, 2011, the Company:

- i] Completed a 6,000,000 unit non-brokered private placement at \$0.05 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one share purchase warrant exercisable at \$.10 per share for five years until March 19, 2015. The Company has valued the warrants issued in connection with this private placement using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 2.59%; volatility 191.4%; dividend yield 0% and approximate expected lives of 5 years. The resultant value of \$170,266 attributable to the warrants has been reclassified from share capital and credited to contributed surplus. A finder's fee of \$2,600 was paid in conjunction with this private placement and was charged to share issue costs.
- ii] Completed an 8,400,000 unit non-brokered private placement at \$0.05 per unit for gross proceeds of \$420,000. Each unit consists of one common share and one share purchase warrant exercisable at \$.10 per share for two years until September 23, 2012. The Company has valued the warrants issued in connection with this private placement using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.42%; volatility 191.4%; dividend yield 0% and approximate expected lives of 2 years. The resultant value of \$318,894 attributable to the warrants has been reclassified from share capital and credited to contributed surplus. A finder's fee of \$18,000 was paid in conjunction with this private placement and was charged to share issue costs.

During the year ended January 31, 2010, the Company:

- i] Completed an 8,859,667 unit non-brokered private placement at \$0.03 per unit for gross proceeds of \$265,790. Each unit consists of one common share and one share purchase warrant exercisable for two years until June 2, 2011. The warrants are exercisable at \$0.05 per share during the first year and \$0.10 per share during the second year. The Company has valued the warrants issued in connection with this private placement using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 0.464%; volatility 167.9%; dividend yield 0% and approximate expected lives of 2 years. The resultant value of \$195,688 attributable to the warrants has been reclassified from share capital and credited to contributed surplus. A finder's fee of \$4,770 was paid in conjunction with this private placement and was charged to share issue costs.

**Aldershot Resources Ltd.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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

**Stock options**

The Company, in accordance with the policies of the TSX Venture Exchange (“TSX-V”), may grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company’s stock at the date of grant less an applicable discount (if applicable) in accordance with the TSX-V policies. The options can be granted for a maximum term of 5 years and generally vest immediately, except for options granted to personnel performing investor relations activities, which vest over a period of one year in accordance with the TSX-V policies.

A summary of the continuity of the Company’s stock options is as follows:

	<u>2011</u>		<u>2010</u>	
	<b>Number of Common Shares Issuable</b>	<b>Weighted Average Exercise Price \$</b>	<b>Number of Common Shares Issuable</b>	<b>Weighted Average Exercise Price \$</b>
Options outstanding, beginning				
of the year	<b>5,560,000</b>	<b>0.10</b>	4,210,000	0.26
Granted	<b>4,000,000</b>	<b>0.10</b>	2,300,000	0.10
Expired	<b>(1,150,000)</b>	<b>0.10</b>	(950,000)	0.21
Options outstanding, end				
of the year	<b>8,410,000</b>	<b>0.10</b>	5,560,000	0.10
Options exercisable	<b>8,410,000</b>	<b>0.10</b>	5,560,000	0.10

During the year ended January 31, 2011, the Company granted 4,000,000 stock options to its directors, employees and consultants, which are exercisable at \$0.10 per share and expire in 2015. The fair value of each stock option granted has been estimated as of the date of grant using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.42%; volatility 191.4%; dividend yield 0% and approximate expected lives of 5 years. The resultant value of \$191,236 has been charged to stock-based compensation expense.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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

**Stock options (cont'd)**

During the year ended January 31, 2010, the company obtained shareholder and regulatory approval to reprice all of its outstanding stock options to \$0.10 per share, retaining the original expiry dates. In addition, the Company granted 2,300,000 stock options to its directors, employees and consultants, which are exercisable at \$0.10 per share and expire in 2014. The fair value of each stock option granted, as well as the incremental fair value of the repriced stock options, has been estimated as of the date of grant using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 2.572%; volatility 194%; dividend yield 0% and approximate expected lives of 5 years. The resultant value of \$74,436 has been charged to stock-based compensation expense.

The weighted average remaining life of the outstanding options is 3.43 years (2010 – 2.68 years). These stock options expire in various amounts from March 2011 to September 2015, with 60,000 stock options expiring subsequent to year-end.

**Warrants**

A summary of the continuity of the Company's warrants is as follows:

	2011		2010	
	Number of Common Shares Issuable	Weighted Average Exercise Price \$	Number of Common Shares Issuable	Weighted Average Exercise Price \$
Warrants outstanding, beginning				
of the year	<b>27,378,186</b>	<b>0.09</b>	18,518,519	0.10
Granted	<b>14,400,000</b>	<b>0.10</b>	8,859,667	0.075
Expired	—	—	—	—
Warrants outstanding, end				
of the year	<b>41,778,186</b>	<b>0.10</b>	27,378,186	0.09

**Aldershot Resources Ltd.**  
(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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

**Warrants (cont'd)**

During the year ended January 31, 2011, the Company received warrant holder and regulatory approval to change the exercise price of previous warrants totaling 18,518,519 from their original price of \$0.42 per share to \$0.10 per share. The Company has calculated the incremental fair value of the warrants due to this exercise price change using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate – 1.24%; expected life – 2 years; expected volatility – 191.4% and dividend yield of 0%. The resultant incremental value of \$182,659 due to the modification of these warrants was recorded as a charge to the deficit and a corresponding increase to contributed surplus.

During the year ended January 31, 2010, the company obtained regulatory approval to modify the original terms of previous warrants totalling 18,518,519 by extending their expiry date for two years to April 26, 2011. The Company has calculated the incremental fair value of the warrants due to this expiry date extension using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate – 0.98%; expected life – 2 years; expected volatility – 167.9% and dividend yield of 0%. The resultant incremental value of \$210,874 due to the modification of these warrants has been recorded as a charge to the deficit and a corresponding increase to contributed surplus.

**8. INCOME TAXES**

A reconciliation of current taxes at statutory rates with the reported taxes is as follows based on an income tax rate of 28.33% [2010 – 29.88%]:

	2011	2010
	\$	\$
Loss before income taxes	<b>(1,059,251)</b>	(343,869)
Current income taxes (recovery)	<b>(300,086)</b>	(102,748)
Permanent differences	<b>50,910</b>	5,337
Income tax rate changes	<b>19,514</b>	149,908
Expiration of loss carryforwards	<b>71,490</b>	35,442
Change in valuation allowance	<b>(14,405)</b>	(89,873)
Adjustment to resource pools and loss carryforwards	<b>171,029</b>	—
Other	<b>1,548</b>	1,934
Total current income taxes (recovery)	—	—

**Aldershot Resources Ltd.**  
(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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**8. INCOME TAXES (cont'd)**

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

	<b>2011</b>	<b>2010</b>
	\$	\$
Future income tax assets:		
Non-capital losses	<b>1,176,143</b>	1,099,345
Resource property expenditures	<b>2,281,742</b>	2,353,085
Other	<b>72,290</b>	92,150
	<b>3,530,175</b>	3,544,580
Valuation allowance	<b>(3,530,175)</b>	(3,544,580)
Net future income tax asset (liability)	—	—

The Company has incurred operating losses of approximately \$4,705,000 which, if unutilized will expire as follows: firstly in 2015 - \$375,000 and thereafter in various years from 2016 to 2031 - \$4,330,000. In addition, the Company has operating losses carryforward of approximately \$4,272,000 (AUD \$4,272,000) from its branch operation in Australia, which do not expire. A future income tax asset has not been recognized for these losses.

Subject to certain restrictions, the Company also has resource exploration expenditures available to reduce taxable income of future years of approximately \$9,127,000. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements, as their realization is not judged likely to occur.

As the Company carries on activities in Australia and Zambia in addition to Canada, the Company may become subject to tax in these other jurisdictions in the future.

**Aldershot Resources Ltd.**  
(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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**9. RELATED PARTY TRANSACTIONS**

[a] Related party transactions with directors and officers or companies controlled by them during the years ended January 31 are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Exploration costs--Australia	<b>45,828</b>	9,909
Consulting fees	<b>10,000</b>	10,000
Interest and bank charges	<b>13,812</b>	—
Rent	<b>14,883</b>	14,492
Equipment rental (income)	<b>(17,389)</b>	(13,682)

During the year ended January 31, 2011, the Company received \$100,000 pursuant to a convertible debenture issued to a company controlled by a director [note 6].

During the year ended January 31, 2010, the Company entered into an agreement with Royal Resources Limited ("Royal"), a related company that has a director in common with the Company, granting Royal the option to acquire a 60% interest in the remaining licences in the Northern Territory of Australia [note 5].

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

[b] The balances due to related parties are non-interest bearing and have no fixed repayment terms.

**Aldershot Resources Ltd.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

**10. SEGMENTED INFORMATION**

All of the Company's operations are in the resource properties exploration industry with its principal business activity in the acquisition and development of resource properties. The Company conducts its resource properties exploration activities in Australia and Zambia.

	Assets	Exploration Costs (Recoveries)
	\$	\$
<b>January 31, 2011</b>		
Canada	118,200	—
Australia	71,737	210,282
Zambia	—	674
	<b>189,937</b>	<b>210,956</b>
<b>January 31, 2010</b>		
Canada	177,062	(61,685)
Australia	80,736	(41,169)
Zambia	—	18,416
	<b>257,798</b>	<b>(84,438)</b>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **11. CAPITAL DISCLOSURE**

The Company manages its capital to ensure that it will be able to continue as a going concern with the objective of maximizing the return to stakeholders through the optimization of the issuance of debt and equity instruments. The capital structure of the Company consists of debenture payable and equity attributable to common shareholders comprised of share capital, contributed surplus, stock options and share purchase warrants.

In order to facilitate the management of capital, the Company manages its operating expenses and property exploration expenditures. The Company manages its exploration projects by entering into joint venture agreements with other parties to enable work to continue on the property and to share the risk of exploration. The Company obtains debenture financing when required and it is able to do so as this financing is very limited. The Company negotiates the best terms it is able and provides features to enable the conversion of this debt to equity in order to obtain this financing. The Company may issue new equity as the need arises and the ability to do so presents itself. When the Company has excess cash, its investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. In order to maximize ongoing operations, the Company does not pay dividends. The Company expects to continue to raise funds from its shareholders to continue to meet its capital management objectives.

The Company's overall strategy remains unchanged from the prior year. The Company is in compliance with the terms of the debenture payable as outlined in *note 6* and is not subject to any other externally imposed capital requirements.

### **12. 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 judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

**Aldershot Resources Ltd.**  
(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

In conjunction with its accounting policies, the Company classified its financial instruments into the related categories. Cash and cash equivalents, restricted cash and deposits are classified as held-for-trading; accounts receivable are classified as loans and receivables and accounts payable, amounts due to related parties and debenture payable are classified as other financial liabilities. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, deposits, accounts payable, amounts due to related parties and debenture payable approximates their fair value because of the short-term nature of these instruments.

The Company is subject to currency risk as it conducts operations in jurisdictions other than Canada, primarily being exposed to changes in the Canadian dollar compared to the Australian dollar. The Company has not hedged its exposure to currency fluctuations, but does manage its cash resources to complement the denomination of the expenditures required.

The Company is exposed to currency risk through the following CAD equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars, i.e., the AUD (Australian dollar):

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>28,787</b>	23,551
Accounts receivable	<b>4,144</b>	741
Restricted cash	<b>8,914</b>	12,284
Accounts payable and accrued liabilities	<b>(7,513)</b>	(22,845)
Due to related parties	<b>(5,207)</b>	(2,804)
	<b>29,125</b>	10,927

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011 and 2010

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### **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

Based on the above net exposures at January 31, 2011, a 10% depreciation or appreciation in the AUD dollar against the CAD dollar would result in a \$2,913 (2010 – \$1,093) increase or decrease in the Company's net loss.

The Company is subject to interest rate risk as it invests excess cash not immediately required for operations, in short-term investments. This risk is minimal as the Company does not have significant amounts of excess cash to invest and its investments are in instruments with short-term maturities. As well, the Company borrows funds periodically and the interest rate negotiated will affect the related interest cost on any financing completed. The Company mitigates this risk by offering non-cash options and conversion features to purchase common shares of the Company in conjunction with any financing undertaken.

The Company is not subject to significant credit risk as its receivables are due from government agencies, so the risk is minimal. There is minimal risk associated with the Company's cash and cash equivalents as it invests in only high quality short-term investments with major banking institutions.

The Company is subject to liquidity risk in that the Company may not be able to meet its financial obligations as they come due. The Company manages this risk through the management of its capital structure as outlined in *note 11*.

### **13. SUBSEQUENT EVENTS**

Subsequent to January 31, 2011, the Company entered into an agreement with Royal to acquire all of the shares of its wholly-owned subsidiary, Royal USA Inc., which owns uranium properties in the United States. As consideration, the Company will issue 35,000,000 shares and 51,128,186 warrants, which are exercisable at \$0.10 per share. There are currently 51,128,186 stock options, warrants and potential warrants which may be issued on the conversion of the convertible debenture ("current securities outstanding"), outstanding and which expire at various times as outlined in note 6 and note 7. The warrants issued to Royal may not be exercised prior to the exercise of an identical number of current securities outstanding and expire when the current securities outstanding expire if not exercised. In conjunction with this agreement, the Company plans to raise funds totalling \$1,500,000 either by issuing a convertible loan bearing interest at 8%, convertible into common shares at \$0.10/share for a period of two years or by completing a private placement by issuing 30,000,000 units at \$0.05 per unit, each unit comprising one common share and one warrant, each warrant exercisable at \$0.10/share for a period of two years. This agreement is subject to shareholder approval and TSX Venture approval.