



## **Interim Financial Statements**

(unaudited and prepared by Management)

**November 30, 2010**

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**Financial Statements  
November 30, 2010  
(Canadian Funds)**

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### **NOTICE TO READER**

These interim financial statements of Uranium North Resources Corp. have been prepared by management and approved by the Audit Committee on behalf of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

# URANIUM NORTH RESOURCES CORP

## Balance Sheets Canadian Funds

	November 30, 2010	February 28, 2010
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 571,350	\$ 738,794
Receivables	49,654	7,844
Prepaid expenses	31,222	12,078
	652,226	758,716
<b>Mineral properties</b> (Note 4)	11,911,176	11,249,740
<b>Equipment</b> (Note 5)	26,636	22,420
	\$ 12,590,038	\$ 12,030,876
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 102,740	\$ 78,075
Due to related parties (Note 9)	243,130	244,123
	345,870	322,198
Future income tax liability (Note 11)	267,000	267,000
	612,870	589,198
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 6)	15,246,640	14,310,053
<b>Option compensation</b>	1,052,202	1,033,202
<b>Contributed surplus</b>	183,829	160,034
<b>Deficit</b>	(4,505,503)	(4,061,611)
	11,977,168	11,441,678
	\$ 12,590,038	\$ 12,030,876

Nature and Continuation of Operations (Note 1)  
Commitments (Note 12)

On behalf of the Board:

\_\_\_\_\_  
'Mark Kolebaba'  
Mark Kolebaba

\_\_\_\_\_  
'Geir Liland'  
Geir Liland

See Accompanying Notes to the Financial Statements

## URANIUM NORTH RESOURCES CORP.

### Statements of Operations and Comprehensive Loss

Canadian Funds

	For the Three Months Ended		For the Nine Months Ended	
	November 30, 2010	November 30, 2009	November 30, 2010	November 30, 2009
<b>General and administrative expenses</b>				
Accounting and audit	\$ 13,500	\$ 10,500	\$ 35,100	\$ 39,480
Administration and management fees	18,830	18,475	56,606	55,519
Amortization	1,715	1,863	4,675	5,588
Annual meeting costs	1,461	-	14,294	10,771
Consulting fees	-	790	1,413	1,240
Directors fees	16,500	22,500	72,500	67,500
Filing fees	100	-	3,716	4,544
Insurance	5,660	5,660	16,981	7,547
Investor relations and promotion	43,391	38,879	138,603	128,665
Legal fees	-	2,458	4,057	4,373
Office and miscellaneous	9,138	2,394	16,229	9,904
Rent	10,909	12,575	33,866	39,445
Stock-based compensation	6,813	59,245	19,407	123,772
Transfer agent fees	4,031	1,695	11,862	10,113
Wage and benefits	5,357	10,337	14,592	29,787
	(137,405)	(187,371)	(443,901)	(538,248)
<b>Other income (expenses)</b>				
Interest income	3	1,642	9	10,522
Property investigation costs	-	(62,674)	-	(62,674)
<b>Net loss and comprehensive loss for the period</b>	(137,402)	(248,403)	(443,892)	(590,400)
<b>Loss per share</b>				
-Basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	58,538,588	45,825,470	52,612,265	44,732,145

See Accompanying Notes to the Financial Statements

**URANIUM NORTH RESOURCES CORP.**

## Statements of Cash Flows

(Unaudited – See Notice)

*(Canadian Funds)*

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>November 30, 2010</b>	<b>November 30, 2009</b>	<b>November 30, 2010</b>	<b>November 30, 2009</b>
<b>Cash flows used in operating activities</b>				
Loss for the period	\$ (137,402)	\$ (248,403)	\$ (443,892)	\$ (590,400)
Items not involving cash:				
Amortization	1,715	1,863	4,675	5,588
Stock-based compensation	6,813	59,245	19,407	123,772
Net change in non-cash working capital items				
Accounts receivable	33,725	19,310	(41,810)	23,170
Prepaid expenses	5,306	1,515	(19,144)	(17,875)
Accounts payable and accrued liabilities	4,493	(1,510)	(994)	174,819
Due to related parties	34,022	32,979	16,516	71,087
	(51,328)	(135,001)	(465,242)	(209,839)
<b>Cash flows applied to investing activities</b>				
Expenditures on mineral interests	(475,351)	(119,579)	(653,286)	(1,019,340)
Leasehold improvements	(1,218)	-	(4,920)	-
Purchase of equipment	(3,061)	-	(3,971)	-
	(479,630)	(119,579)	(662,177)	(1,019,340)
<b>Cash flows provided by financing activities</b>				
Shares issued for cash, net of issue costs	(3,954)	-	959,975	268,649
	(3,954)	-	959,975	268,649
<b>Decrease in cash and cash equivalents</b>	(534,912)	(254,580)	(167,444)	(960,530)
<b>Cash and cash equivalents, beginning of period</b>	1,106,262	1,089,180	738,794	1,795,130
<b>Cash and cash equivalents, end of period</b>	\$ 571,350	\$ 834,600	\$ 571,350	\$ 834,600

Supplemental Disclosure with Respect to Cash Flow *(Note 7)*

See Accompanying Notes to the Financial Statements

**URANIUM NORTH RESOURCES CORP.**  
**Statements of Shareholders' Equity**

*Canadian Funds*

	Share Capital		Option Compensation	Contributed Surplus	Deficit	Total Shareholders' Equity
	No. of Shares	Amount				
	<i>(Note 6)</i>		<i>(Note 6(c))</i>			
Balance, February 29, 2009	42,962,953	\$ 13,904,724	\$ 852,387	\$ 135,430	\$ (2,413,290)	\$ 12,479,251
Shares issued for cash						
Private placements, net of issue costs	2,262,517	268,648				268,648
Issued for other consideration						
Tax cost on flow-through shares renunciation		(67,875)				(67,875)
Issue of shares for debt	600,000	205,452				205,452
Stock-based compensation			204,523			204,523
Fair value of finder's fee warrants		(896)		896		-
Fair value of options cancelled			(23,708)	23,708		-
Loss for the year					(1,648,321)	(1,648,321)
	2,862,517	405,329	180,815	24,604	(1,648,321)	(1,037,573)
Balance, February 28, 2010	45,825,470	\$ 14,310,053	\$ 1,033,202	\$ 160,034	\$ (4,061,611)	\$ 11,441,678
Shares issued for cash						
Private placements, net of issue costs	12,712,500	958,850				958,850
Exercise of options	11,250	1,125				1,125
Stock-based compensation			19,407			19,407
Fair value of finder's fee warrants		(23,795)		23,795		-
Transfer to share capital on exercise of options		407	(407)			-
Loss for the period					(443,892)	(443,892)
	12,723,750	936,587	19,000	23,795	(443,892)	535,490
<b>Balance November 30, 2010</b>	<b>58,549,220</b>	<b>\$ 15,246,640</b>	<b>\$ 1,052,202</b>	<b>\$ 183,829</b>	<b>\$ (4,505,503)</b>	<b>\$ 11,977,168</b>

See Accompanying Notes to the Financial Statements

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

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### 1. Continuance of Operations

The Company was incorporated on March 2, 2006 pursuant to the *Company Act* (British Columbia) and on December 7, 2006 the common shares of the Company were listed for trading on the TSX Venture Exchange ("Exchange"). The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flow.

For the period ended November 30, 2010, the Company reported net loss of \$443,892 has a history of losses and an accumulated deficit of \$4,505,503.

The Company has implemented a cash preservation strategy whereby senior employees and a consultant of the Company agreed to defer 10% of their salaries or fees and the independent directors' of the Company deferred their retainer. These amounts will accrue as a debt owing by the Company and shall not bear interest. At the Company's election, this debt can be satisfied in cash and/or common shares. Management is actively seeking to raise the necessary capital to meet its ongoing operational and funding requirements.

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable. These financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and that such adjustment could be material.

### 2. Significant Accounting Policies

#### (a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the functional currency is the Canadian dollar.

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended February 28, 2010. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended February 28, 2010.

The accounting policies followed by the Company are set out in Note 2 of the audited consolidated financial statements for the year ended February 28, 2010 and have been consistently followed in the preparation of these financial statements.

# URANIUM NORTH RESOURCES CORP.

Notes to Financial Statements  
Period Ended November 30, 2010  
Canadian Funds

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## 2. Significant Accounting Policies (Continued)

### (b) Management's Estimates

The preparation of financial statements in conformity 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 period. Significant areas of estimate include the impairment of assets and rates for amortization, accrued liabilities, future income tax balances and valuation allowances, and the determination of stock-based compensation. Actual results may differ from those estimates and may impact future results of operations and cash flows.

### (c) Financial Instruments

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash and cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities; all of which are measured at amortized cost.

The Company follows CICA Handbook Section 3862, *Financial instruments – disclosures*, which requires entities to provide disclosures 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 period and at the balance sheet date, and how the entity manages such risks.

The Company also follows CICA Handbook Section 3863, *Financial instruments – presentation*, which 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.

## 3. Recent Accounting Pronouncements

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

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use the 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 March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

# URANIUM NORTH RESOURCES CORP.

Notes to Financial Statements  
Period Ended November 30, 2010  
*Canadian Funds*

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## 3. Recent Accounting Pronouncements (Continued)

### (b) 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 combinations accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. 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 consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

The Company does not anticipate the adoption of the above standards will have a significant impact on the Company's consolidated financial statements.

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

### 4. Mineral Properties

At November 30, 2010, expenditures made on mineral properties by the Company are as follows:

	Amer Lake Nunavut	S. Baker Nunavut	Hepburn NWT	Other Properties	Gold Properties	Total
Balance, February 28, 2010	\$5,873,788	\$3,984,262	\$847,547	\$389,321	\$154,822	\$11,249,740
Additions during period:						
Acquisition costs	-	-	-	-	2,097	2,097
Exploration:						
Airborne	-	-	-	-	-	-
Camp costs	4,500	45,174	-	-	15,959	65,633
Drilling	-	-	-	-	116,733	116,733
Environment	-	-	-	-	-	-
Geology	6,999	5,096	596	1,799	260,798	275,288
Mob/Demobilization	27,982	-	-	-	7,740	35,722
Modelling	-	-	-	-	-	-
Permitting	-	-	-	-	165,464	165,464
Property	-	-	-	-	589	589
	39,481	50,270	596	1,799	567,283	659,429
Less:						
Recoveries	-	-	-	-	(90)	(90)
Write-off	-	-	-	-	-	-
	-	-	-	-	(90)	(90)
Net additions	39,481	50,270	596	1,799	569,290	661,436
Balance, November 30, 2010	\$5,913,269	\$4,034,532	\$848,143	\$391,120	\$724,112	\$11,911,176

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

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### 4. Mineral Properties (Continued)

The Company holds the following mineral claims and permits:

#### (a) Amer Lake, Nunavut

The Company holds a 100% interest in certain claims subject to a 2% gross overriding royalty ("GOR") in respect of diamonds, a 5% royalty on uranium production and a 2% net smelter returns royalty ("NSR") in respect of other metals.

The Company also acquired a 100% interest in certain permits near Amer Lake, from an option agreement with MPH Consulting Limited ("MPH") by paying \$100,000 and issuing 312,865 common shares of the Company in 2007 and 2008.

The permits are subject to a 3% royalty on uranium payable to MPH, of which the Company may purchase two-thirds of this royalty for total cash payments of \$2,000,000. In addition, the permits are also subject to a 2% NSR, a 3% royalty on uranium and a 2% GOR on diamonds, all payable to Diamonds North Resources Ltd. ("Diamonds North"), a company related by virtue of directors in common.

#### (b) S. Baker, Nunavut

The Company holds a 100% interest in certain claims subject to a 2% GOR in respect of diamonds, a 5% royalty on uranium production and a 2% NSR in respect of other metals.

#### (c) Hepburn, NWT

The Company holds a 100% interest to explore for and develop uranium subject to a 5% uranium royalty.

#### (d) Other Properties

##### i) Hawk and Yathkyed, Nunavut

The Company holds three exploration permits covering two separate properties in the Thelon Region of Nunavut. The Company made a one-time cash payment to MPH of \$25,000 and issued a total of 42,337 shares in respect of the initial property acquisition in 2008.

##### ii) Thelon, NWT

The Company holds a 100% interest subject to an agreement with Bayswater Uranium Corp. ("Bayswater") who has an option to earn an 80% interest, and holds the right to explore for and develop uranium and all other metals (except diamonds) in additional claims subject to a 5% royalty on uranium production and a 2% NSR in respect of other metals.

In order to earn their 80% interest, Bayswater was required to make staged exploration expenditures totaling \$4,000,000, of which \$2,000,000 has been incurred to date. The Company and Bayswater have agreed to suspend the remaining required exploration expenditures due to permitting restrictions; a formal amendment to the agreement is pending.

Due to uncertainty regarding permitting, the Company has written off acquisition and exploration costs of \$211,356

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

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### 4. Mineral Properties (Continued)

#### (e) Gold Properties

##### i) Mallery Lake, Nunavut

The Company holds a 100% interest in certain claims acquired by staking.

##### ii) Aura, Nunavut

The Company holds a 100% interest in certain prospecting permits and mineral claims which includes:

- i) Robin
- ii) F13
- iii) Au
- iv) Nowyak

### 5. Equipment

Details are as follows:

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Furniture and fixtures	\$ 12,777	\$ (5,603)	\$ 7,174
Computer equipment	31,313	(16,586)	14,727
Leasehold improvements	4,920	(185)	4,735
November 30, 2010	\$ 49,010	\$ (22,374)	\$ 26,636

### 6. Share Capital

#### (a) Authorized

Unlimited common shares without par value.

#### (b) Share Issuances

- i) On July 7, 2010, the Company completed the first tranche of a non-brokered private placement for the issuance of 3,350,000 flow-through common shares at \$0.08 per share and 400,000 non flow-through units at \$0.08 per unit. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at a price of \$0.12 until July 2, 2011. Finder's fees of \$1,680 were paid and 21,000 warrants to purchase up to 21,000 common shares at a price of \$0.12 per share were issued. The warrants expire on July 5, 2011. Using the Black-Scholes option pricing model, a fair value of \$1,058 was assigned to these warrants and added to contributed surplus. The fair value of the compensatory warrants was estimated using the Black-Scholes option pricing model with a risk free rate of 0.88%, an expected life of 1 year, an expected volatility of 204.35% and an expected dividend yield of 0%. The Company incurred additional share issue costs in the amount of \$4,285 in connection with the placement.

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

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### 6. Share Capital (Continued)

#### (b) Share Issuances (Continued)

- ii) On July 13, 2010, the Company completed the second tranche of a non-brokered private placement for the issuance of 6,437,500 flow-through common shares at \$0.08 per share and 1,275,000 non flow-through units at \$0.08 per unit. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at a price of \$0.12 until July 7, 2011. Finder's fees of \$26,120 were paid and 451,500 warrants to purchase up to 451,500 common shares of at a price of \$0.12 per share were issued of which 14,000 expire on July 5, 2011 and 437,500 warrants expire on July 7, 2011. Using the Black-Scholes option pricing model, a fair value of \$22,738 was assigned to these warrants and added to contributed surplus. The fair value of the compensatory warrants was estimated using the Black-Scholes option pricing model with a risk free rate of 0.88%, an expected life of 1 year, an expected volatility of 204.35% and an expected dividend yield of 0%. The Company incurred additional share issue costs in the amount of \$19,564 in connection with the placement.
- iii) On July 14, 2010, the Company completed the final tranche of a non-brokered private placement for the issuance of 1,250,000 flow-through common shares at \$0.08 per share. Finder's fees of \$6,000 were paid. The Company incurred additional share issue costs in the amount of \$500 in connection with the placement.

#### (c) Stock Options

Options to purchase common shares have been granted to directors, officers, employees and consultants at an exercise price determined by reference to the market value on the date of grant. Under the Company's stock option plan, the Company may grant stock options for the purchase of up to 9,165,000 common shares. Vesting of stock options is either at 25% on the date of grant and 12.5% every quarter thereafter, or at the discretion of the board of directors.

As at November 30, 2010, the Company had stock options outstanding for the purchase of 5,843,078 common shares of which 5,413,391 stock options were exercisable with a weighted average exercise price of \$0.42 per option.

	Shares	Weighted Average Exercise Price
Outstanding at February 28, 2010	5,970,577	0.40
Granted	-	-
Exercised	(11,250)	0.10
Cancelled/Expired	(116,249)	0.82
Outstanding at November 30, 2010	5,843,078	\$ 0.40

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

### 6. Share Capital (Continued)

#### (c) Stock Options (Continued)

The following summarizes information about stock options outstanding at November 30, 2010:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Shares</b>
April 12, 2011	0.848	234,328
July 13, 2011	1.020	10,000
October 11, 2011	0.750	1,950,000
May 1, 2012	0.920	150,000
February 8, 2013	0.500	200,000
September 19, 2013	0.150	1,580,000
November 25, 2014	0.100	1,718,750
Options outstanding		5,843,078

Subsequent to the period ended November 30, 2010, the following stock options were cancelled:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Shares</b>
October 11, 2011	0.750	75,000
		75,000

#### (d) Stock-Based Compensation

Stock based compensation expense recognized for options that vested during the period was \$19,407. The Company has moved from "straight line" to "graded" vesting for the recognition of stock-based compensation expense. A greater portion of expense is in earlier vesting periods compared to distributing the expense equally over all vesting periods. The fair value of unvested options outstanding at period end was \$5,358.

For stock options granted during the fiscal period 2010 and vesting in fiscal period 2011, the fair value of \$0.07 per option is estimated using the using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<b>2010</b>
Risk-free interest rate	1.98%
Expected dividend yield	-
Expected stock price volatility	113%
Expected option life in years	4.25

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

### (e) Warrants

At November 30, 2010, the Company had outstanding warrants to purchase an aggregate of 1,310,000 common shares as follows:

Exercise Price	Expiry Date	Outstanding at February 28, 2010	Issued	Exercised	Expired	Outstanding at November 30, 2010
\$ 0.20	June 22, 2010	32,666	-	-	(32,666)	-
\$ 0.12	July 5, 2011	-	235,000	-	-	235,000
\$ 0.12	July 7, 2011	-	1,075,000	-	-	1,075,000
		32,666	1,310,000	-	(32,666)	1,310,000

Subsequent to the period ended November 30, 2010, 6,930 warrants were exercised.

### 7. Supplemental Disclosure With Respect To Cash Flows

	2010	2009
Significant non-cash investing and financing activities:		
Operating activities	-	-
Investing activities	-	-
Financing activities		
Fair value of finder's fee warrants issued	\$ 23,795	\$ 897
Shares issued for outstanding payables relating to mineral properties	-	205,452
Mineral property expenditures included in accounts payable	104,597	1,050
Other cash flow information		
Interest paid	-	-
Income taxes paid	-	-

Cash and cash equivalents consists entirely of cash.

### 8. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company defines its capital as shareholder's equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares periodic expenditure budgets that are updated as necessary depending on various factors, including successful

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

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### 8. Capital Management (Continued)

capital deployment and general industry conditions. These budgets require approval by the Board of Directors.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

### 9. Related Party Transactions

- (a) For the period ended November 30, 2010, an officer of the Company charged a total of \$22,500 (2009- \$22,500) which has been expensed as administration fees.
- (b) For the period ended November 30, 2010, administration fees of \$19,940 (2009 - \$18,772), rent of \$33,866 (2009 - \$39,445) and management fees of \$14,165 (2009 - \$14,247) were charged by Diamonds North.
- (c) Amounts due to related parties, totalling \$243,130 (2009 - \$140,594), consists of \$176,973 (2009 - \$116,050) for fees owed to directors and an officer of the Company, and \$66,157 (2009 - \$24,544) to Diamonds North for shared administrative expenses and exploration costs.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

### 10. Segmented Information

The Company has one operating segment, being mineral exploration, and all assets of the Company are located in Canada.

### 11. Income Taxes

The Company's future income tax liability arises primarily from the renunciation of mineral exploration costs on flow-through shares issued to investors.

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. A future income tax liability arises from the renunciation of mineral exploration costs to investors of flow-through shares.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances which have not been spent, are segregated for such expenditures. As at November 30, 2010 the amount of flow-through proceeds remaining to be expended was \$372,114.

# URANIUM NORTH RESOURCES CORP.

## Notes to Financial Statements Period Ended November 30, 2010 Canadian Funds

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### 12 Commitments

On May 4, 2010, the Company entered into a five-year sub lease agreement, with Diamonds North for office premises effective August 1, 2010. Approximate future annual lease payments based on basic rent charges are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	14,661
2012	30,272
2013	31,901
2014	33,529
2015	34,208
2016	17,104
	<u>\$ 161,675</u>

In addition to basic rent, the Company is also subject to its proportionate share of taxes and operating costs.

### 13. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and due to related parties. The fair value of these financial instruments, other than cash and cash equivalents, approximates their carrying value, due to their short-term nature. Cash and cash equivalents are measured at fair value using level 1 inputs.

#### Credit Risk

Credit risk is the risk of a financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are primarily held in major Canadian financial institutions. The Company's receivables consist mainly of GST receivables due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in receivables is minimal.

#### Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

#### Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash and cash equivalent holdings. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements.

#### Foreign Exchange Risk

The Company is not exposed to significant foreign exchange risk as it operates in Canada and makes few foreign currency purchases.