

STAR URANIUM CORP.  
Suite 212 - 116 Research Drive,  
Saskatoon, SK  
S7N 3R3

**STAR URANIUM CORP.**

**Annual Financial Statements**

**For the year ended October 31, 2012**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Star Uranium Corp.

We have audited the accompanying financial statements of Star Uranium Corp., which comprise the statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010 and the statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years ended October 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Star Uranium Corp. as at October 31, 2012, October 31, 2011 and November 1, 2010 and its financial performance and its cash flows for the years ended October 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

February 26, 2013



**STAR URANIUM CORP.**

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
**(Expressed in Canadian Dollars)**

	October 31, 2012	October 31, 2011 (Note 12)	November 1, 2010 (Note 12)
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 1,225,652	\$ 1,668,263	\$ 1,738,060
Short-term investments	-	-	211,648
Receivables (Note 9)	10,058	986	51,254
Prepaid expenses	5,894	11,000	58,385
	1,241,604	1,680,249	2,059,347
<b>Equipment</b> (Note 5)	10,348	12,936	16,170
<b>Exploration and evaluation assets</b> (Note 6)	2,529,532	2,231,237	2,766,577
	\$ 3,781,484	\$ 3,924,422	\$ 4,842,094
<hr/>			
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 9)	\$ 157,884	\$ 89,262	\$ 51,431
	157,884	89,262	51,431
<hr/>			
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (Note 7)	17,097,563	17,097,563	17,067,563
Other equity reserve (Note 7)	628,380	617,500	617,500
Deficit	(14,102,343)	(13,879,903)	(12,894,400)
	3,623,600	3,835,160	4,790,663
	\$ 3,781,484	\$ 3,924,422	\$ 4,842,094

**Going concern** (Note 2)

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

Approved and authorized by the Board of Directors on February 26, 2013.

On behalf of the Board:

“KYLE KOZUSKA”

\_\_\_\_\_  
 Director

“KULVINDER MATHARU”

\_\_\_\_\_  
 Director

**STAR URANIUM CORP.**

**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(Expressed in Canadian Dollars)**  
**For the years ended**

	<b>October 31, 2012</b>	<b>October 31, 2011 (Note 12)</b>
Bank fees	\$ 246	\$ 425
Consulting	19,652	9,975
Depreciation	2,588	3,234
Filing fees	7,870	5,418
Insurance	12,002	15,225
Management fees	77,983	61,167
Meals and entertainment	2,577	1,108
Office expense	24,775	16,660
Premises expense	4,757	4,800
Professional fees	57,093	34,103
Share-based compensation (Note 7)	10,880	-
Transfer agent	9,558	8,939
Travel and promotion	7,236	1,852
	(237,217)	(162,906)
Finance income	14,777	24,808
Write-off of exploration and evaluation assets	-	(833,784)
Loss on short-term investments	-	(13,621)
	(222,440)	(985,503)
<b>Net loss and comprehensive loss for the year</b>	<b>(222,440)</b>	<b>(985,503)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.003)</b>	<b>\$ (0.015)</b>
<b>Weighted average common shares</b>	<b>67,445,255</b>	<b>67,288,524</b>

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

**STAR URANIUM CORP.**

**STATEMENTS OF CASH FLOWS**

**For the years ended  
(Expressed in Canadian Dollars)**

	<b>October 31, 2012</b>	<b>October 31, 2011</b> <b>(Note 12)</b>
<b>Cash flows used in operating activities</b>		
Net loss for the year	\$ (222,440)	\$ (985,503)
Items not involving cash:		
Depreciation	2,588	3,234
Shares issued for consulting and management fees	-	30,000
Share-based compensation	10,880	-
Write-off of exploration and evaluation assets	-	833,784
Loss on sale of investments	-	13,621
Non-cash working capital item changes:		
Receivables	(9,072)	50,268
Prepaid expenses	5,106	3,225
Deposits	-	44,160
Accounts payable and accrued liabilities	11,210	(5,155)
	(201,728)	(12,366)
<b>Cash flows used in investing activities</b>		
Exploration and evaluation assets	(240,883)	(255,458)
Sale of investments	-	198,027
	(240,883)	(57,431)
<b>Decrease in cash</b>	(442,611)	(69,797)
Cash, beginning of year	1,668,263	1,738,060
Cash, end of year	\$ 1,225,652	\$ 1,668,263
Cash (paid)/received during the period for taxes	\$ -	\$ -
Cash (paid)/received during the period for interest	\$ -	\$ -

As at October 31, 2012, \$100,398 (October 31, 2011 - \$42,986, November 1, 2010 - \$Nil) of exploration and evaluation assets are included in accounts payable and accrued liabilities.

During the year ended October 31, 2011, 428,570 common shares, valued at \$30,000 were issued for consulting and management fees.

There were no other non-cash transactions for the year ended October 31, 2012 and 2011 affecting cash flows from operating, financing, or investing activities.

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

**STAR URANIUM CORP.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011  
(Expressed in Canadian Dollars)**

	Number of Shares	Capital Stock	Other Equity Reserve	Deficit	Total Shareholders' Equity
<b>Balance November 1, 2010</b>	<b>67,026,685</b>	<b>\$ 17,067,563</b>	<b>\$ 617,500</b>	<b>\$ (12,894,400)</b>	<b>\$ 4,790,663</b>
Share issued for consulting and management fees	428,570	30,000	-	-	30,000
Loss for the year	-	-	-	(985,503)	(985,503)
<b>Balance October 31, 2011</b>	<b>67,455,255</b>	<b>17,097,563</b>	<b>617,500</b>	<b>(13,879,903)</b>	<b>3,835,160</b>
Share-based compensation	-	-	10,880	-	10,880
Loss for the year	-	-	-	(222,440)	(222,440)
<b>Balance October 31, 2012</b>	<b>67,455,255</b>	<b>17,097,563</b>	<b>628,380</b>	<b>(14,102,343)</b>	<b>3,623,600</b>

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

# **STAR URANIUM CORP.**

## **Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)**

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### **1. Nature of Operations**

Star Uranium Corp. (the “Company”) incorporated extra provincially in Alberta, Saskatchewan, and British Columbia has shares listed on the TSX Venture Exchange.

The Company is in the process of exploring its mineral interests and has not determined whether these properties contain ore reserves which are economically recoverable.

Ownership in mineral interests 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 interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

### **2. Going Concern**

These financial statements of the Company have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

The Company’s ability to continue as a going concern is contingent on its ability to obtain additional equity financing. However, the low price of the Company’s common shares makes it difficult to raise funds by private placements of shares. The Company believes it has sufficient working capital to meet its obligations as they become due over the next twelve months.

The amounts shown as exploration and evaluation assets represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and evaluation of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 3. Basis of Preparation and Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted by Canada on January 1, 2011 and by the Company on November 1, 2011. This represents the Company’s application of IFRS as at and for the year ended October 31, 2012, including the 2011 comparative year. The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles (“GAAP”). The accounting policies set out below have been applied consistently in preparing an opening IFRS statement of financial position at November 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (“IFRS 1”) as issued by the International Accounting Standards Board (“IASB”). The impact of the transition from GAAP to IFRS is explained in Note 12.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

#### Critical accounting estimates and judgements

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

#### Critical Judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2.

#### Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.



# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 3. Basis of Preparation - continued

Significant estimates made by management affecting the consolidated financial statements include:

#### *Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

#### *Fair value of stock options*

Determining the fair value of stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

#### *Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies

#### Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss (“FVTPL”), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets “available-for-sale” are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets and liabilities “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and short-term investments as fair value through profit and loss. The Company’s receivables are classified as loans and receivables. The Company’s accounts payable and accrued liabilities are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company’s receivables, accounts payable and accrued liabilities, approximate carrying value due to their short terms to maturity, which is the amount payable on the statement of financial position. The Company’s other financial instruments, cash and short-term investments, are measured at fair value, under the fair value hierarchy, and are based on level one quoted prices in active markets for identical assets or liabilities.

See Note 10 for disclosures on risks associated with financial instruments.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies - continued

#### Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs related to the acquisition, exploration and evaluation of the property are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. Each of the Company's exploration and evaluation assets are considered to be a cash generating unit. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized in the statement of operations in the year received. The amounts shown for exploration and evaluation assets 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.

#### Future reclamation costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations.

For the years presented, the Company does not have any future reclamation costs.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies - continued

#### Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Exploration equipment	20%
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Equipment that is withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

#### Cash and equivalents

Cash and equivalents are comprised of cash on deposit and highly liquid short-term interest bearing investments which are readily convertible into a known amount of cash and subject to insignificant risk of changes in value. As at October 31, 2012, 2011, and November 1, 2010, the Company had no cash equivalents.

#### Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies - continued

#### Impairment - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### Share-based payments

The Company recognizes share-based compensation expense based on the estimated fair value of the options granted. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and other equity reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

#### Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies - continued

#### Income taxes - continued

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions.

Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

#### Comprehensive Loss

Comprehensive loss consists of net loss and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, net loss was the same as comprehensive loss.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies – continued

#### **New Standards and Interpretations not yet adopted:**

Amendments to IFRS 7, Financial Instruments: Disclosures (“IFRS 7”) are effective for annual periods beginning on or after January 1, 2013 and introduce enhanced disclosure around the transfer of financial assets and associated risks. The Company is currently evaluating any impact that this new guidance may have on its financial statements.

In November 2009 and October 2010, the IASB issued IFRS 9, Financial Instruments (“IFRS 9”), which represents the completion of the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity’s own credit risk in the other comprehensive income or loss section of the entity’s statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its financial statements.

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements (“IFRS 10”), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its financial statements.

In May 2011, the IASB issued IFRS 11, Joint Arrangements (“IFRS 11”), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement’s legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its financial statements.

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its financial statements.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 4. Significant Accounting Policies - continued

#### New Standards and Interpretations not yet adopted: - continued

In May 2011, the IASB issued IFRS 13, Fair Value Measurement (“IFRS 13”), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity’s own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its financial statements.

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements (“IAS 1”), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its consolidated financial statements.

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13. The Company is currently evaluating any impact that this amendment may have on its financial statements.

Amendments to IAS 32, Financial Instruments: Presentation, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities. The Company is currently evaluating any impact that this new guidance may have on its financial statements.

### 5. Equipment

Equipment consists of the following:

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	Exploration Equipment
<b>Cost</b>	
Balance at October 31, 2012, 2011 and November 1, 2010	\$ 52,928

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# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

### 5. Equipment - continued

<b>Depreciation</b>	Exploration Equipment
Balance at November 1, 2010	\$ 36,758
Depreciation for the year	3,234
Balance at October 31, 2011	39,992
Depreciation for the year	2,588
Balance at October 31, 2012	\$ 42,580
<b>Carrying amounts</b>	
At November 1, 2010	\$ 16,170
At October 31, 2011	\$ 12,936
At October 31, 2012	\$ 10,348

### 6. Exploration and Evaluation Assets

The Company has acquired certain mineral properties and rights, the costs of which are as follows:

	Anglo Rouyn	Black Lake	Collins Bay	Diane Lake	Fort a la Corne	Pistol Lake	Povol Lake	Wrangler West	Total
<b>Balance November 1, 2010</b>	<b>\$ 181,537</b>	<b>\$ 260,879</b>	<b>\$ 860,982</b>	<b>\$ 203,569</b>	<b>\$ 5,256</b>	<b>\$ 26,370</b>	<b>\$ 45,285</b>	<b>\$1,182,699</b>	<b>\$ 2,766,577</b>
Acquisition costs	-	-	-	-	77	-	-	-	77
Drilling	-	-	-	-	-	-	-	79,629	79,629
Geology	-	-	-	-	215,682	-	-	-	215,682
SEM Deposits	-	-	-	-	3,056	-	-	-	3,056
Write-off	-	-	-	(203,569)	-	-	-	(630,215)	(833,784)
Total for year	-	-	-	(203,569)	218,815	-	-	(550,586)	(535,340)
<b>Balance October 31, 2011</b>	<b>181,537</b>	<b>260,879</b>	<b>860,982</b>	<b>-</b>	<b>224,071</b>	<b>26,370</b>	<b>45,285</b>	<b>632,113</b>	<b>2,231,237</b>
Acquisition costs	-	-	-	-	9,710	-	-	-	9,710
Administration fees	-	-	-	-	-	-	-	5,934	5,934
Drilling	-	-	-	-	139,080	-	-	(8,686)	130,394
Geology	-	-	-	-	78,366	-	-	-	78,366
SEM Deposits	-	-	-	-	73,891	-	-	-	73,891
Total for the period	-	-	-	-	301,047	-	-	(2,752)	298,295
<b>Balance October 31, 2012</b>	<b>\$181,537</b>	<b>\$260,879</b>	<b>\$860,982</b>	<b>-</b>	<b>\$525,118</b>	<b>\$26,370</b>	<b>\$ 45,285</b>	<b>\$ 629,361</b>	<b>\$2,529,532</b>

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

### 6. Exploration and Evaluation Assets - continued

Cumulative Totals	Anglo Rouyn	Black Lake	Collins Bay	Diane Lake	Fort a la Corne	Pistol Lake	Povol Lake	Wrangler West	Total
Acquisition costs	\$ 373	\$ 3,112	\$ 40,000	\$ 1,354	\$ 19,325	\$ 25,602	\$ 2,055	\$ 100,000	\$ 191,821
Administration fees	1,506	225	-	-	-	-	100	11,278	13,109
Consulting	-	16,247	14,997	-	-	1,910	-	-	33,154
Drilling	152,035	371,536	730,170	202,215	354,762	77,971	133,698	1,107,937	3,130,324
Geology	27,623	-	75,395	-	78,366	-	-	40,361	221,745
Permits	-	199	420	-	3,056	-	-	-	3,675
SEM Deposits	-	-	-	-	73,891	-	-	-	73,891
Recovery	-	-	-	-	(4,282)	-	-	-	(4,282)
Write-off	-	(130,440)	-	(203,569)	-	(79,113)	(90,568)	(630,215)	(1,133,905)
<b>Balance October 31, 2012</b>	<b>\$181,537</b>	<b>\$260,879</b>	<b>\$860,982</b>	<b>-</b>	<b>\$525,118</b>	<b>\$26,370</b>	<b>\$ 45,285</b>	<b>\$ 629,361</b>	<b>\$2,529,532</b>

#### (a) Anglo Rouyn

The Company holds a 50% interest in mineral claims in the vicinity of Stanley Mission in Northern Saskatchewan. The other 50% interest is held by United Uranium Corp., a related party.

#### (b) Black Lake

The Company has staked claims along the Northern rim of the Athabasca Basin.

#### (c) Collins Bay

The Company acquired claims located in the vicinity of Collins Bay, which is on the edge of the Athabasca Basin of northern Saskatchewan. The terms of the purchase were a payment of \$20,000(paid), 200,000(issued) shares of the Company and 1% net smelter return which can be purchased by the Company for \$1,000,000.

#### (d) Diane Lake

The Company acquired this property by staking a claim situated in the vicinity of Diane Lake, in Northern Saskatchewan.

During the 2011 fiscal year, the Company allowed these claims to lapse, and as a result, wrote off all associated costs and expenditures to operations.

# **STAR URANIUM CORP.**

## **Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)**

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### **6. Exploration and Evaluation Assets - continued**

#### **(e) Fort a la Corne**

During the 2009 fiscal year, the Company received claims within the Fort a la Corne region by a successful judgment of the Saskatchewan Court of Queen's Bench. Further claims were subsequently staked by the Company throughout 2010 and 2011. The claims are all under joint venture where the Company holds a 50% interest with the other 50% interest being held by United Uranium Corp., a related party. The properties are located in central Saskatchewan, north-east of the city of Prince Albert.

#### **(f) Pistol Lake**

The Company acquired a claim in the Pistol Lake area of north-eastern Saskatchewan.

#### **(g) Povol Lake**

The Company acquired a claim located in north-central Saskatchewan in the Northern Mining Districts.

#### **(h) Wrangler West Farm-out**

During the 2010 fiscal year, the Company entered into a multi farm-out agreement with Wrangler West Energy Corp. of Calgary, Alberta. Under the terms of the farm-out agreement, the Company was required to drill, complete, test or abandon test wells on or before December 31, 2009.

The Company had earned a fifty percent interest in the drilling of two wells prior to the multi farm-out agreement. During the 2011 fiscal year, the operator elected to abandon one of the wells. As a result, the costs associated with that well were written off to operations.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 7. Capital Stock and Other Equity Reserve

The authorized capital stock of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. As at October 31, 2012, the Company had 67,455,255 common shares outstanding.

The Company did not issue any shares during the year ending October 31, 2012.

During the year ended October 31, 2011 the Company issued 71,427 shares for consulting services (valued at \$5,000) and 357,143 shares for management fees provided by the CEO and CFO (valued at \$25,000). (Note 9)

#### Stock Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the board of directors of the Company (the "Board"), the exercise price of options equals at least the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term in accordance with TSX Venture Exchange policy.

A summary of the Company's outstanding stock options as at October 31, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, November 1, 2010 and October 31, 2011	3,050,000	\$ 0.16
Expired	(600,000)	0.10
Issued	1,000,000	0.10
<b>Outstanding and exercisable, October 31, 2012</b>	<b>3,450,000</b>	<b>\$ 0.15</b>

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

### 7. Capital Stock and Other Equity Reserve – continued

#### Stock Options - continued

Number of Shares Under Option	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
150,000	150,000	\$ 0.19	0.13	December 18, 2012 <sup>(1)</sup>
150,000	150,000	0.50	0.13	December 18, 2012 <sup>(1)</sup>
150,000	150,000	0.75	0.13	December 18, 2012 <sup>(1)</sup>
2,000,000	2,000,000	0.10	7.33	February 29, 2020
1,000,000	1,000,000	0.10	0.05	November 7, 2012 <sup>(1)</sup>
3,450,000	3,450,000			

<sup>(1)</sup> Subsequently expired

#### Options Granted

During the year ended October 31, 2012 the Company granted 1,000,000 stock options exercisable at a price of \$0.10 per share for a period of 5 years from the date of grant, and recorded \$10,880 in share-based compensation expense during the year ended October 31, 2012. The fair value per option granted during the year was \$0.01.

During the year ended October 31, 2011, the Company granted no stock options.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	October 31 2012	October 31 2011
Risk-free interest rate	1.40%	N/A
Expected life of options	5 years	N/A
Annualized volatility	75%	N/A
Expected forfeitures	0%	N/A
Dividend rate	0%	N/A

#### Warrants

The Company had no warrants issued or outstanding as at October 31, 2012, October 31, 2011 and November 1, 2010.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

### 8. Income Taxes

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

	For the years ended	
	October 31, 2012	October 31, 2011
Net loss before income taxes	\$ (222,400)	\$ (985,503)
Expected income tax (recovery)	\$ (56,000)	\$ (264,000)
Changes in statutory rates and other	1,000	4,000
Permanent difference	3,000	2,000
Changes in unrecognized deductible temporary difference	52,000	258,000
Total deferred tax recovery	\$ -	\$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred Tax Assets (Liabilities)	October 31, 2012	October 31, 2011	November 1, 2010
Exploration and evaluation assets	\$ 98,000	\$ 98,000	\$ -
Share issue costs	-	3,000	9,000
Non-Capital losses	368,000	313,000	147,000
	466,000	414,000	156,000
Unrecognized deferred tax assets	(466,000)	(414,000)	(156,000)
Net deferred tax assets	\$ -	\$ -	\$ -

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

### 8. Income Taxes - continued

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	October 31, 2012	Expiry dates	October 31, 2011	Expiry dates	November 1, 2010	Expiry dates
Exploration & evaluation assets	\$ 333,000	No expiry	\$ 333,000	No expiry	\$ -	No expiry
Share issue costs	-	N/A	14,000	2032	37,000	2031-2032
Non-capital losses available for future periods	1,475,000	2014-2032	1,249,000	2014-2031	591,000	2011-2030

### 9. Related Party Transactions

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

#### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and companies owned by these individuals.

Remuneration attributed to key management personnel can be summarized as follows:

	For the years ended October 31,	
	2012	2011
Short-term benefits*	\$ 78,086	\$ 61,167 <sup>1</sup>
	<b>\$ 78,086</b>	<b>\$ 61,167</b>

\*include base salaries, pursuant to contractual employment or consultancy and management arrangements, included in consulting fees and management fees

<sup>1</sup> includes 71,427 common shares valued at \$5,000 for consulting services, and 357,143 common shares valued at \$25,000 for management fees issued to the CEO and CFO of the Company.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 9. Related Party Transactions - continued

#### Other related parties

Related parties include Shane Resources Ltd., United Uranium Corp. and Paradigm Portfolio Management Corp. which share common directors and management with the Company.

Transactions entered into with related parties other than key management personnel include the following:

	For the years ended October 31,	
	2012	2011
Premise and office expenses paid or accrued to Shane Resources Ltd.	\$ 13,333	\$ 13,800
Premise and office expenses paid or accrued to Paradigm Portfolio Management Corp.	1,423	2,277
	<u>\$ 14,756</u>	<u>\$ 16,077</u>

As at October 31, 2012, accounts payable and accrued liabilities includes \$1,750 (October 31, 2011 - \$53,575, November 1, 2010 - \$20,475) due to Shane Resources Ltd., \$13,650 (October 31, 2011 - \$Nil, November 1, 2010 - \$Nil) due to May Lake Consulting Corp., a company owned by the CFO, \$1,750 (October 31, 2011 - \$Nil, November 1, 2010 - \$Nil) due to 101028771 Sask. Ltd., a company owned by the CEO, and \$1,345 due to other related parties (October 31, 2011 - \$Nil, November 1, 2010 - \$Nil).

As at October 31, 2012, accounts receivable includes \$Nil (October 31, 2011 - \$Nil, November 1, 2010 - \$49,531) due from United Uranium Corp.

The amounts due to and from related parties are non-interest bearing, with no fixed terms of repayment.

### 10. Financial and Capital Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is all held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset-backed commercial paper.



# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 10. Financial and Capital Risk Management - continued

The Company's receivables consist mainly of GST/HST receivable due from the government of Canada. The Company does not believe it is exposed to significant credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company endeavors to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligations.

#### *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.

##### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is low because the Company no longer has any marketable securities or short-term investments.

##### b) Foreign currency risk

As at October 31, 2012, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

##### c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

# STAR URANIUM CORP.

## Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)

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### 10. Financial and Capital Risk Management - continued

#### *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 and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' 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 or acquire or dispose of assets.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

### 11. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada.

### 12. First Time Adoption of IFRS

As stated in Note 3, these financial statements have been prepared in accordance with IFRS. The accounting policies in Note 4 have been applied in preparing the financial statements for the years ended October 31, 2012, 2011, and the opening IFRS statement of financial position as at November 1, 2010 (the "Transition Date").

In preparing the opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 2, "Share-based payments", only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

# **STAR URANIUM CORP.**

## **Notes to the Financial Statements October 31, 2012 (Expressed in Canadian Dollars)**

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### **12. First Time Adoption of IFRS - continued**

- b) To apply IFRS3 “Business Combinations” on a prospective basis from the Transition Date.

Additionally, in accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s IFRS estimates as of November 1, 2010 are consistent with its GAAP estimates on the same date.

There are no significant differences between IFRS and GAAP in connection with the Company’s statements of financial position as at November 1, 2010 and October 31, 2011.

There are also no significant differences between IFRS and GAAP in connection with the Company’s statements of operations and comprehensive loss or cash flows for the year ended October 31, 2011.