



ANNUAL REPORT

for the year ended September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

January 9, 2012

OVERVIEW

The following discussion is management's assessment and analysis ("MD&A") of the results of operations and financial conditions of Tournigan Energy Ltd. (the "Company" or "Tournigan") for the year ended September 30, 2011, and subsequent activity up to January 9, 2012, and should be read in conjunction with the accompanying consolidated financial statements and related notes thereto for the year ended September 30, 2011, and 2010, which are available on the SEDAR website.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

SUMMARY DESCRIPTION OF TOURNIGAN'S BUSINESS

Tournigan is a reporting issuer in most of the provinces of Canada and trades as a Tier 1 issuer on the TSX Venture Exchange under the trading symbol "TVC" and on the Frankfurt Stock Exchange under the trading symbol "TGP".

Tournigan is a mineral resource exploration company focused on the exploration and development of its uranium properties in Slovakia. Tournigan's flagship property is the Kuriskova project, which is being advanced to the prefeasibility stage. Tournigan's principal objective is to advance the Kuriskova project to the feasibility stage and, if justified, to production.

OPERATIONS IN THE YEAR ENDED SEPTEMBER 30, 2011 AND TO THE DATE OF THIS MD&A INCLUDE:

- Kuriskova NI 43-101 Indicated Resource increased by 39% to 28.5 million pounds of U₃O₈
- Prefeasibility study on track for completion by January 2012
- Novoveská Huta NI 43-101 resource estimate announced on October 17, 2011
- On January 3, 2012, Tournigan closed an exclusive private placement of 14,285,714 units with AREVA, the French nuclear energy and uranium mining conglomerate, for proceeds of \$1,000,000 and entered into a Technical Services Agreement with AREVA whereby AREVA will perform a work program comprising metallurgical and environmental test work to be part of the Kuriskova feasibility study. On that same day Tournigan appointed Andréas Mittler, Vice President, Expertise and Projects Department of AREVA Mines to the Tournigan board of directors;
- On December 27, 2011, Tournigan entered into a binding letter agreement to acquire all of Mawson Resources Ltd.'s ("Mawson") right, title and interest in and to 7 uranium exploration projects located in Sweden and Finland for aggregate consideration of 53,639,848 common shares of Tournigan. Mawson will distribute the Tournigan shares on a pro rata basis to its shareholders pursuant to a plan of arrangement prior to April 30, 2012. Until then, Mawson has agreed not to exercise the voting rights attaching to the Tournigan shares; and
- As announced on December 7, 2011, Tournigan plans to change its name to European Uranium Resources Ltd. and to complete a consolidation of its shares on a 1 new for 5 old basis.

Europe has 186 nuclear power plants in operation and 19 new plants under construction. At this time, there is only one operating uranium mine within the European Union, in the Czech Republic. Clearly,

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Europe has an urgent need to develop sustainable uranium production. On completion of all of the transactions, European Uranium Resources will be a key uranium exploration company focused in Europe, the region with the world's largest per capita consumption of uranium.

On completion of the Mawson transaction, the Company will have a greatly increased uranium portfolio throughout Europe and has established a strong working relationship with AREVA, ranked first in the global nuclear power industry and a key player in uranium mining. This relationship will assist the Company in the exploration and development of its properties, including the Company's flagship Kuriskova uranium project in Slovakia on which we plan to begin a feasibility study early next year.

Kuriskova

On April 26, 2011, the Company announced a NI 43-101 compliant updated resource estimate for the Kuriskova project, Slovakia.

Highlights of the updated estimate include:

- About 7.9 million pounds of U₃O₈ have been added to the Indicated Resource category, increasing the Indicated Resource by 39% to 28.5 million pounds of U₃O₈;
- Overall the uranium oxide contained in the Kuriskova deposit has increased by 3.1 million pounds of U₃O₈ and now comprises 28.5 million pounds at 0.555% U₃O₈ in the Indicated Resource and an additional 12.7 million pounds in the Inferred Resource at 0.185% U₃O₈; and
- Kuriskova remains one of the highest-grade known uranium deposits in the world outside of Canada's Athabasca Basin.

Current Resource April 2011:

Kuriskova Resource Estimate April 2011 -- Cut-off 0.05%U							
	U%	Tonnes (000)	%U₃O₈	U₃O₈ lbs (000)	Mo%	Tonnes (000)	Mo lbs (000) *
Total Indicated (Main Zone, Hanging wall zone and Zone 45)	0.471	2,328	0.555	28,487	.065	2,301	3,312
Total Inferred (Main Zone, Hanging wall zone and Zone 45)	0.157	3,099	0.185	12,664	.033	2,996	2,185

* Mo resource numbers represent molybdenum associated with uranium resource blocks above a 0.05%U cutoff.

The updated estimate incorporates the results of 18 diamond drill holes totalling 4,548 metres that were drilled since the February 2010 resource estimate. The updated estimate also reflects an enhanced understanding of Kuriskova geology which has allowed more detailed structural modelling than was done in the past.

The independent NI 43-101 compliant Technical Report was filed on the Company's profile on SEDAR on June 9, 2011.

Tetra Tech, Inc. of Golden, Colorado is under contract for the preparation of a prefeasibility study for Kuriskova which is expected to be completed in January 2012.

Tetra Tech's proposed mine production plan for Kuriskova will incorporate the latest Indicated Resource

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estimate and ongoing metallurgical test work has confirmed uranium leach recoveries of 93-94%.

All field work and data interpretation necessary for completion of the prefeasibility study are on schedule and are in progress.

Highlights of the work include:

- Completion of Phase 1 metallurgical test work at Hazen Research. Phase II is in progress;
- Geotechnical studies: the third of five geotechnical holes is being drilled, with completion of the geotechnical drilling program expected by mid-September. Logging of oriented core is continuing and results are being interpreted;
- Hydrogeological modeling: the three hydrogeological holes have been drilled and results are being interpreted;
- Collection of environmental base line data, including water and soil sampling and analysis;
- Preliminary engineering work for mine, process plant and infrastructure design; and
- Capital and operating cost estimates.

The Phase 1 test work at Hazen has confirmed uranium and molybdenum leach recoveries of 93-94% and 90-93%, respectively, on Kuriskova composites using a conventional alkaline leach circuit at P₈₀ 200 mesh grind, 200°C, and oxygen overpressure of 100 psi, in a two hour leach time. Phase 2, which is ongoing, is focusing on refinement of the uranium and molybdenum precipitation parameters using industry standard flow sheets for alkaline process plants.

In addition to advancing the Kuriskova prefeasibility study, Tournigan is continuing with surface exploration work (geology, geochemistry and geophysics) within the Kuriskova exploration licence and on the Company's other exploration licences in Slovakia. This is expected to lead to drill targets which the Company will begin testing after the Kuriskova geotechnical drilling is completed.

Novoveská Huta

On October 17, 2011, the Company announced a resource estimate for its Novoveská Huta uranium project in Slovakia. This is the first NI 43-101 compliant resource estimate that has been prepared for this deposit; the estimate has been reviewed, audited and approved by Tetra Tech. The results of the resource estimate at a cutoff grade of 0.06% U are:

- 3.75 million pounds of U₃O₈ in Measured and Indicated Resources of 1.662 million tonnes grading 0.102% U₃O₈; and an additional
- 12.738 million pounds of U₃O₈ in Inferred Resources of 4.689 million tonnes grading 0.123% U₃O₈.

The following table summarizes the Novoveská Huta resource estimate:

Novoveská Huta Resource Estimate October 2011* - Cutoff 0.06%U							
	Tonnes (000s)	% U	% U ₃ O ₈	U ₃ O ₈ lbs (000s)	Tonnes (000s)	% Mo	Mo lbs (000s)
Measured	837	0.091	0.108	1,988			
Indicated	825	0.082	0.097	1,762			
Measured + Indicated	1,662	0.087	0.102	3,750			
Inferred	4,689	0.104	0.123	12,738	6,138**	0.021	2,885

*The resource estimate includes radiometric gamma for historic holes and underground development data and chemical assays for Tournigan drilling. Molybdenum resource numbers represent molybdenum associated with uranium resource blocks above a 0.06%

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U cutoff.

**All of the molybdenum resource is classified as Inferred because of the absence of molybdenum assays in historical data. For this same reason, not every uranium block in the resource is included in the molybdenum resource and therefore uranium and molybdenum resource tonnages do not correspond.

This resource adds to Tournigan's NI 43-101 compliant uranium inventory. The Novoveská Huta uranium deposit is located near the town of Spisska Nova Ves, about 50 kilometres northwest of the Kuriskova uranium deposit. Tournigan's objective at Novoveská Huta was to verify historic data, which was collected during Slovakia's communist period, and to find additional resources. The western part of the deposit (currently comprising the Measured and Indicated Resource) was known before Tournigan acquired the property, but the data base had not been verified and underground sampling data had not been evaluated. Tournigan's work in the western part of the deposit verified the historical data. In addition, Tournigan included underground channel sample data in the new resource estimate. Tournigan's exploration drilling in the eastern part of the deposit confirmed the extension of mineralization to the east and increased the exploration potential of the deposit. The eastern block is at a higher grade than the western block and remains open to the east and north.

The independent NI 43-101 compliant Technical Report was filed on the Company's profile on SEDAR on November 30, 2011.

Tournigan alliance with AREVA and acquisition of Scandinavian uranium assets

The Acquisition

On December 27, 2011, Tournigan has signed a binding letter agreement with Mawson to purchase all of the issued shares of a Swedish corporation wholly owned by Mawson for aggregate consideration of 53,639,848 common shares of Tournigan (the "TVC Shares"). This agreement replaced a letter of intent dated December 6, 2011.

Mawson has agreed to distribute the TVC Shares on a pro-rata basis to the Mawson shareholders at some point in the future pursuant to a plan of arrangement. Until then Mawson has agreed that the TVC Shares will not have voting rights.

The seven uranium exploration projects that Tournigan will acquire are the Hotagen, Duobblon, Kapell and Aronsjö projects in Sweden and the Riutta, Asento and Nuottijärvi projects in Finland.

This transaction remains subject to the acceptance of the TSX Venture Exchange. [NTD: confirm if TSXV approval in hand – closing to follow definitive documentation and structure]

The Private Placement

On January 3, 2012, the Company completed, an exclusive non-brokered private placement raising \$1,000,000 through the issuance of 14,285,714 units at a price of \$0.07 per unit to an affiliate of AREVA. Each Unit consists of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share in the capital of Tournigan at a price of \$0.20 for a period of 3 years.

The Technical Services Agreement

On January 3, 2012, the Company entered into a technical services agreement with AREVA to perform a work program comprising metallurgical and environmental test work to be part of the Kuriskova feasibility study.

Tournigan expects its prefeasibility study on the Kuriskova deposit, being prepared by Tetra Tech, to be completed early in 2012 and plans to begin work on the feasibility study shortly thereafter.

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New Director

Concurrent with the closing of the transactions with AREVA, the Company increased its board to 9, and appointed Andréas Mittler, Vice President, Expertise and Projects Department of AREVA Mine as a director. AREVA will have the right to nominate one person who is acceptable to the Company as management's nominee for election to the Board of Directors of the Company until such time as AREVA no longer holds at least 14,285,714 common shares of Tournigan.

Name Change and Consolidation

The Company plans to change its name to European Uranium Resources Ltd. and consolidate its shares on a 1 new for 5 old basis.

QUALIFIED PERSON

The Company's President and Chief Executive Officer, Dorian L. (Dusty) Nicol, B.Sc. Geo, MA Geo, a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Results of Continuing Operations and expenses for the year ended September 30, 2011

For the periods presented, the Company had no revenues, no long term debt and did not declare or pay any dividends. For the year ended September 30, 2011, the Company incurred a loss from continuing operations of \$7,429,603 or \$0.04 per share, a decrease of \$1,443,130 from the loss from continuing operations of \$8,872,733 for September 30, 2010.

Mineral exploration costs on the Slovakian uranium properties in the year ended September 30, 2011, were \$4,306,927 compared to \$4,621,310 in the comparative year. Drilling and assays at Kuriskova and Novoveská Huta totalled \$1,692,631 in the 2011 fiscal year compared to \$3,492,275 in the comparative 2010 fiscal year. Schedule 1 to the annual consolidated financial statements presents mineral property exploration costs in detail. Also of note, studies and evaluation expenditures incurred in the preparation of the prefeasibility study at Kuriskova total \$1,916,196 for the year ended September 30, 2011, compared to \$490,235 in the 2010 comparative fiscal year. Overall exploration expenditures on the Kuriskova exploration licence have shifted from drilling and assays, to studies and evaluation, as we expected, as the prefeasibility study nears completion.

Expenses totalled \$3,289,980 in the year ended September 30, 2011, compared to \$4,143,371 in the comparative year. When non-cash items are excluded from the expenses, the figures for the year ended September 30, 2011, are \$3,015,599 compared to \$3,073,689 during 2010, for a minor cash variance of \$58,090, representing approximately a 2% decrease year-over-year.

Administrative activity levels in the current fiscal year have been similar to the comparative 2010 year. Audit, legal and other professional fees in the current year are significantly lower than what they were in the comparative year due to the increased audit and legal expenses incurred for the disposition of discontinued operations experienced in the first quarter of fiscal 2010 combined with the effect of lower audit fees in the current year. Travel costs are somewhat higher in the current year due to executive travel associated with the completion of the prefeasibility study, additional property investigation travel and marketing awareness campaigns.

Other Income (expense)

Interest income has increased commensurate with the significant increase in the Company's cash

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balances during fiscal 2011, combined with slightly higher returns on our cash investments throughout the 2011 fiscal year.

The Company sold its shares of Ortac Resources plc, ("Ortac") in the first quarter of fiscal 2011 for a net gain of \$784,167. During fiscal 2010, the Company sold its portfolio of shares in other companies for a net gain of \$1,261.

As at September 30, 2010, the Company was owed \$751,170 (US\$730,000) by Fischer-Watt Gold Company Inc. being the balance owed from a November 27, 2008, sale and purchase agreement of a US subsidiary of the Company. In December 2010, the Company collected \$132,275 (US\$130,000) of this receivable. The remaining balance of US\$600,000 was payable by Fischer-Watt to the Company from 50% of all equity issues made by Fischer-Watt until paid. This arrangement impaired Fischer-Watt's ability to raise equity funds particularly in this current weak uranium market. On July 13, 2011, the Company and Fischer-Watt amended the November 27, 2008, agreement so that the Company cancelled the remaining \$578,700 (US\$600,000) receivable, thus impairing it to \$nil, in exchange for a conversion of the Company's 30% carried interest in the properties Fischer-Watt acquired from the Company to a 2% net smelter return royalty ("NSR") over any of Fischer-Watt's uranium properties in the Wyoming counties of Carbon, Sublette, Sweetwater, and Ferromont and the Fall River County of South Dakota, to a cap of US\$10,000,000. The NSR applies to any properties currently held by Fischer-Watt as well as any properties that they may acquire in the future. Fischer-Watt may re-purchase half of the NSR any time before July 13, 2016, for US\$3,000,000. This US\$3,000,000 buyout would reduce the US\$10,000,000 cap to US\$5,000,000. The TSX Venture Exchange accepted this related party agreement for filing. The Chairman, President and CEO of Fischer-Watt is Peter Bojtos, who is a director of the Company.

The foreign exchange loss was \$153,557 in the year ended September 30, 2011, compared to a loss of \$71,667 in the comparative 2010 year. This slightly increased loss reflects the continued rising relative strength of the Canadian dollar vis-à-vis the US dollar and the Euro, year over year.

Results of Discontinued Operations for the year ended September 30, 2011 and 2010

During the 2011 fiscal year, there was no further gain or loss on disposal of discontinued operations reported, as all dispositions were completed during the 2010 fiscal year. During fiscal 2010, the gain on disposal of discontinued operations reflects the sale of the shares of Kremnica Gold s.r.o and Kremnica Gold Mining s.r.o. to Ortac in April 2010. The proceeds of the sale were \$2,011,000 (US\$2,000,000) and the carrying value of the net assets held for sale were \$198,715, so that the gain on disposal of discontinued operations was \$1,812,285 during the 2010 fiscal year.

SELECTED ANNUAL INFORMATION

	September 30, 2011	September 30, 2010	September 30, 2009
Total revenues	\$nil	\$nil	\$nil
Loss from continuing operations	\$7,429,603	\$8,872,733	\$8,509,339
Gain on disposal of discontinued operations	\$nil	\$1,812,285	\$1,439,321
Loss from discontinued operations	\$nil	\$nil	\$1,182,293
Loss from continuing operations per share	(\$0.04)	(\$0.07)	(\$0.07)
Gain (loss) from discontinued operations	\$nil	\$0.01	\$nil

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per share

Total assets	\$11,053,391	\$7,250,400	\$10,395,268
Total liabilities	\$569,852	\$620,479	\$750,340
Cash dividend per share	\$nil	\$nil	\$nil

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	September 30 2011 \$	June 30 2011 \$	March 31 2011 \$	December 31 2010 \$	September 30 2010 \$	June 30 2010 \$	March 31 2010 \$	December 31 2009 \$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit (loss) for the period	(2,279,426)	(2,434,957)	(2,047,395)	(667,825)	(1,986,730)	738,345	(2,900,002)	(2,912,061)
Basic and diluted profit (loss) per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	0.01	(0.02)	(0.02)

The anomalous profit disclosed in the above table during the three-month period ended June 30, 2010, was caused by the gain on disposal of discontinued operations recorded on the disposal of Kremnica Gold s.r.o and Kremnica Gold Mining s.r.o. as discussed above in "Results of Discontinued Operations for the year ended September 30, 2011 and 2010."

The Company is an exploration company. At this time, any issues of seasonality or market fluctuations have no significant impact. The Company expenses its exploration and project investigation and general and administration costs, and these amounts are included in the net loss for each quarter. The Company's treasury, in part determines the levels of exploration. The majority of the Slovakian exploration costs are incurred in the months of June through November due to seasonal constraints.

FOURTH QUARTER

For the fourth quarter of 2011 - the opening cash balance was \$12,370,434. During the three months ended September 30, 2011, the Company expended \$2,130,096 on operating activities, received \$8,018 on the sale of equipment, and received \$5,896 as a refund of share issue costs to end the quarter and the 2011 fiscal year with \$10,254,252 cash and cash equivalents.

For the fourth quarter of 2010 – the opening cash balance was \$2,140,059. During the three months ended September 30, 2010, the Company expended \$689,264 related to operating activities, expended \$2,875 related to investing activities, and received \$2,868,343 for financing activities to end the quarter and the 2010 fiscal year with \$4,316,263 cash and cash equivalents.

LIQUIDITY AND CAPITAL RESOURCES

Management believes that the Company's cash and cash equivalents on hand at September 30, 2011, are more than sufficient to finance exploration activities and operations through the next twelve months. As a development stage company, the Company's liquidity position decreases as expenses are incurred. To mitigate this liquidity risk, the Company budgets both exploration and administration expenditures and closely monitors its rolling cash forecast and liquidity position.

Expenditures on the Company's mineral properties are primarily at the Company's discretion. License fees and minimum work commitments are approximately \$85,000 (€61,000) for the fiscal 2012 year, although the Company intends to fund considerably more than that amount as it moves to complete the prefeasibility study in January 2012 and move to complete a feasibility study thereafter on its Kuriskova project.

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To date, the Company's ongoing operations have been almost entirely financed by equity issues combined with proceeds from the exercise of warrants and stock options. While the Company has been successful in raising the necessary funds in the past, there can be no assurance that it can continue to do so in the future.

The Company began the 2011 fiscal year with cash and cash equivalents of \$4,316,263. The Company expended \$7,419,408 on operations and other working capital changes. The Company realized \$2,169,267 proceeds on the sale of marketable securities and expended \$32,919 net of sales to purchase equipment for investing activities of \$2,136,348. The Company received net proceeds of \$11,221,049 on the issue of securities pursuant to a public offering and the exercise of finders' fee warrants, to end with cash and cash equivalents of \$10,254,252 on September 30, 2011.

On December 30, 2010, Tournigan completed a public offering of 40,000,000 units at a price of \$0.30 per unit to raise gross proceeds of \$12,000,000 pursuant to a short form prospectus dated December 22, 2010 (the "Offering"). Each unit was comprised of one common share and one-half of one common share purchase warrant. As commission to the agent Tournigan paid \$720,000 and issued 2,400,000 agent's warrants. Each whole warrant and each agent warrant entitles the holder to purchase one common share of Tournigan up to and including December 30, 2012, at an exercise price of \$0.40. Cash share issue costs pursuant to this public offering were an additional \$267,701.

On January 3, 2012, the Company completed, an exclusive non-brokered private placement raising \$1,000,000 through the issuance of 14,285,714 units at a price of \$0.07 per unit to an affiliate of AREVA. Each Unit consists of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share in the capital of Tournigan at a price of \$0.20 for a period of 3 years.

All of the Company's 9,000,000 outstanding stock options and all of the 51,670,964 share purchase warrants are exercisable as of the date of this MD&A. None of the total outstanding stock options are "in-the-money" based on a closing share price of \$0.095 on the TSX.V on the date of this MD&A. None of the share purchase warrants are "in-the-money" as of the date of this MD&A.

The Company's bank accounts are with high credit quality financial institutions. The Company limits the exposure to credit risk in its cash and marketable securities by restricting investments to highly rated major Canadian bank deposits and liquid securities or Government of Canada treasury bills. The Company does not invest in money market funds. The Company has no risk exposure to asset backed commercial paper or auction rate securities.

TRANSACTIONS WITH RELATED PARTIES

In the year ended September 30, 2011, Golden Oak Corporate Services Ltd., a corporation wholly owned by Doris Meyer, the Company's Chief Financial Officer and Secretary was paid fees of \$118,667, compared to \$102,000 in the previous fiscal year, to perform the financial reporting and regulatory compliance functions for the Company. These amounts are presented within salaries and fees to directors and contractors.

The Company's solicitors are Stikeman Elliott LLP. Mr. Poulus, a director of the Company, is a partner in the firm. Stikeman Elliott's fees are billed based on time spent by other Stikeman Elliott personnel on providing services to the Company. In the year ended September 30, 2011, these fees were \$9,447 plus \$108,535 presented as share issue costs, compared to \$60,584 for fees, and \$9,572 presented as share issue costs in the previous year.

Accounts receivable from Ortac: Dorian Nicol, the President and Chief Executive Officer of the Company became a director of Ortac after executing the share purchase agreement for Kremnica. Mr. Nicol resigned from that position effective January 1, 2012.

Due from Fischer-Watt Gold Company, Inc.: The amount owed by Fischer-Watt relates to the February

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23, 2009 sale of Tournigan USA Inc. The Chairman, President and CEO of Fischer-Watt is Peter Bojtos, who is a director of the Company. As at September 30, 2010, Fischer-Watt owed the Company \$751,170 (US\$730,000). In December 2010, the Company collected \$132,275 (US\$130,000) of this receivable on July 13, 2011, the Company and Fischer-Watt amended the November 27, 2008, agreement so that the Company cancelled the remaining \$578,700 (US\$600,000) receivable, thus impairing it to \$nil.

Accounts receivable, due from related parties and accounts payable and accrued liabilities balances include the following related party balances. Due from related party receivables are unsecured and are without interest.

	September 30, 2011	September 30, 2010
Accounts receivable from Ortac	\$ -	\$ 32,627
Due from related party	\$ -	\$ 751,170
Accounts payable and accrued liabilities - due to related parties	\$ 8,355	\$ 9,617

OUTSTANDING SHARE DATA as at the date of this MD&A

Authorized: an unlimited number of common shares without par value.

	Common Shares Outstanding	Warrants Outstanding	Stock Options Outstanding	Share Capital
Balance, September 30, 2011	193,732,234	37,385,250	9,175,000	\$ 119,174,653
Stock options expired	-	-	(175,000)	\$ -
Private placement	14,285,714	14,285,714	-	1,000,000
Balance, date of this MD&A	208,017,948	51,670,964	9,000,000	\$ 120,174,653

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, due from related parties, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash and cash equivalents in highly-rated major Canadian financial institutions, thereby minimizing exposure for deposits in excess of federally insured amounts.

In conducting business, the principal risks and uncertainties faced by the Company centre on exploration and development, resource and commodity prices and market sentiment.

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The prices of resource and commodity markets can fluctuate significantly and are affected by many factors outside of the Company's control. The relative prices of uranium and future expectations for such prices have a significant impact on the market sentiment for investment in mining and resource exploration companies. The Company relies on equity financing for its working capital requirements and to fund its exploration programs. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

FUTURE CANADIAN ACCOUNTING STANDARDS

Business combinations, non-controlling interest and consolidated financial statements- In January 2009, the CICA issued Handbook Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replace CICA Handbook Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning October 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS") – The Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles ("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 October 1, 2010, will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. Under IFRS, there is significantly more disclosure required. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. The impact of these new standards on the Company's financial statements is currently being evaluated by management.

Implementation of IFRS

Due to the size of the Company, the convergence to IFRS is being led by the Company's Chief Financial Officer, a Certified General Accountant, who along with other members of the Company's management group will design and execute the conversion project and will report to the Audit Committee on the progress accomplished.

Item 1 - Accounting policies, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied on a retrospective or a prospective basis

The significant differences identified to date between Canadian GAAP and IFRS that affect the Company and the impacts on the Company's financial statements has been completed on a high-level basis and are discussed below.

The Company will next complete an assessment of the IFRS estimates of the quantified effects of the anticipated changes to the Company's IFRS opening balance sheet if any, and identifying business processes and resources that may require modification as a result of these changes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Foreign currency translation and analysis of functional currency

Under Canadian GAAP, an entity applies criteria to determine only whether a foreign subsidiary's operation is integrated or self-sustaining, in which case the temporal or current rate methods of translation respectively, are then applied to the subsidiary's financial statement balances and results of operations. On October 1, 2010, the Company determined its functional currency to be Canadian dollars and its US and Slovakia subsidiaries were determined to be integrated foreign operations.

Under IFRS, the functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. IFRS provides guidance in respect of factors to be considered in determining an entity's functional currency that are similar to those noted in Canadian GAAP, however, unlike Canadian GAAP, IFRS distinguishes between primary and secondary factors in making such an assessment. Based on the assessment under IFRS, management has determined that the functional currencies of Tournigan Energy Ltd. and Tournigan Energy USA Inc. are the Canadian dollar and the functional currency of its Slovakian subsidiaries is the Euro.

Accordingly, the change in functional currency will be reflected in the convergence to IFRS.

Stock based compensation

Canadian GAAP allows graded or straight-line recognition of the fair value of stock option grants as the options vest. IFRS requires that graded vesting be used with each instalment accounted for as a separate arrangement. Under IFRS, forfeitures must be estimated on the grant date, whereas under Canadian GAAP, forfeitures are recorded as they occur.

The majority of the Company's stock options were fully vested at the time of convergence to IFRS, and the options granted in fiscal 2011 allow for immediate vesting, there may be a minor difference between Canadian GAAP and IFRS.

Item 2 - Information technology and data systems

The accounting processes of the Company are relatively simple and no major challenges are expected at this point to operate the accounting system under IFRS.

Item 3 - Internal control over financial reporting

Since the Company trades on the TSX Venture Exchange, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109.

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically, assessing that the filings are free from misrepresentations and present fairly the results of the Company. Management will ensure that once the convergence is completed, it will be in a position to continue to certify the Company's filings.

The audit committee of the Company reviews the financial reporting and control matters and recommends approval of the annual financial statements and MD&A to the board of directors who are then responsible for approving the filings.

Item 4 - Disclosure controls and procedures, including investor relations and external communications plans

The Company will update its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. At this time, no changes have been discovered as being necessary.

The Company will continue to maintain a set of disclosure controls and procedures designed to ensure

MANAGEMENT'S DISCUSSION AND ANALYSIS

that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported in the manner specified by the relevant securities laws applicable to the Company.

Item 5 - Financial reporting expertise, including training requirements

The Chief Financial Officer and the Controller of the Company have participated in ongoing training sessions provided by external advisors. The Controller is a qualified FCCA(UK) accountant and has completed the CertIFR training offered by the Association of Chartered Certified Accountants in London. Training and research are ongoing and the development of standards issued by the International Accounting Standards Boards are monitored and evaluated for any impact on the Company.

Item 6 - Business activities, such as foreign currency and hedging activities, as well as matters that may be influenced by GAAP measures such as debt covenants, capital requirements and compensation arrangements

The Company does not expect the convergence to IFRS will have a significant impact on its risk management or other business activities.

Currently there are no matters that would be influenced by GAAP measures, such as debt covenants, capital requirements and compensation arrangements that would be impacted by the convergence to IFRS.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Tournigan or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Tournigan and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Tournigan believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Tournigan is subject to a number of risks and uncertainties, including those risk factors discussed under "Risk Factors" elsewhere in this MD&A and the Annual Information Form for the year ended September 30, 2011, which document is incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of Tournigan may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Tournigan will be realized or, even if substantially realized, that they will have the expected consequences for Tournigan.

Forward-looking statements are based on the beliefs, estimates and opinions of Tournigan's management on the date the statements are made. Unless otherwise required by law, Tournigan expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Tournigan does not have

MANAGEMENT'S DISCUSSION AND ANALYSIS

any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

RISK FACTORS

Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. The Company will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

Information concerning risks specific to Tournigan and its industry, which are required to be included in this MD&A are incorporated by reference to Tournigan's Annual Information Form for the year ended September 30, 2011, dated as of January 9, 2012, in the section entitled "Description of the Business – Risk Factors".

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The components of exploration costs are described in Schedule 1 to the consolidated financial statements for the year ended September 30, 2011.

OTHER INFORMATION

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.tournigan.com.



**2011
ANNUAL REPORT**

Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010



KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tournigan Energy Ltd.

We have audited the accompanying consolidated financial statements of Tournigan Energy Ltd. which comprise the consolidated balance sheets as at September 30, 2011 and 2010, the consolidated statements of operations and deficit, and comprehensive loss and cash flows for the years ended then ended, and notes, comprising 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 standards 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 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 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 our 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, we 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 audits 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 consolidated balance sheet of Tournigan Energy Ltd. as at September 30, 2011 and 2010, and its consolidated results of operations and its consolidated cash flows for the years ended September 30, 2011 and 2010 in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

January 9, 2012
Vancouver, Canada

TOURNIGAN ENERGY LTD. (a development stage company)
2011 ANNUAL REPORT

Consolidated Balance Sheets

(expressed in Canadian dollars)

	<i>Note</i>	September 30, 2011	September 30, 2010
ASSETS			
Current			
Cash and cash equivalents		\$ 10,254,252	\$ 4,316,263
Accounts receivable	8	454,655	270,117
Marketable securities	3	-	1,562,416
Prepaid expenses and deposits		234,763	188,882
		10,943,670	6,337,678
Due from related party	4 & 8	-	751,170
Property and equipment	5	109,721	161,552
		\$ 11,053,391	\$ 7,250,400
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	8	\$ 569,852	\$ 620,479
		569,852	620,479
Shareholders' Equity			
Share capital	7	119,174,653	110,640,598
Contributed surplus	7	14,128,579	11,202,097
Accumulated other comprehensive income		-	177,316
Deficit		(122,819,693)	(115,390,090)
		10,483,539	6,629,921
		\$ 11,053,391	\$ 7,250,400
Nature of operations and going concern	1		
Commitments	11		
Subsequent events	13		

Approved by the Board of Directors on January 9, 2012

"Rex McLennan"
Rex McLennan, Director

"Dorian L. Nicol"
Dorian L. Nicol, Director

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
2011 ANNUAL REPORT

Consolidated Statements of Operations and Deficit

(expressed in Canadian dollars)

	<i>Note</i>	Year ended	
		September 30, 2011	September 30, 2010
MINERAL PROPERTY EXPENSE			
Mineral property exploration costs (schedule 1)		\$ 4,306,927	\$ 4,621,310
Property investigations		8,352	48,758
		4,315,279	4,670,068
EXPENSES			
Administration		293,590	316,468
Amortization		44,366	77,152
Audit, legal and other professional fees		184,435	381,142
Employee salaries and fees to directors and contractors	8	1,282,751	1,270,684
Public, government and investor relations		551,664	547,187
Regulatory fees		67,271	47,388
Stock-based compensation	7	230,015	992,530
Travel		635,888	510,820
		3,289,980	4,143,371
OTHER INCOME (EXPENSE)			
Interest income		121,250	11,112
Gain on sale of marketable securities		784,167	1,261
Impairment of due from related parties	4 & 8	(578,700)	-
Gain on disposal of equipment		2,496	-
Foreign exchange loss		(153,557)	(71,667)
		175,656	(59,294)
LOSS FROM CONTINUING OPERATIONS		(7,429,603)	(8,872,733)
Gain on disposal of discontinued operations	4	-	1,812,285
LOSS		\$ (7,429,603)	\$ (7,060,448)
Deficit, beginning of the year			
		\$ (115,390,090)	\$ (108,329,642)
Loss for the year		(7,429,603)	(7,060,448)
Deficit, end of the year		\$ (122,819,693)	\$ (115,390,090)
Basic and diluted loss from continuing operations per share			
		\$ (0.04)	\$ (0.07)
Basic and diluted gain from discontinued operations per share			
		\$ -	\$ 0.01
Basic and diluted loss per share			
		\$ (0.04)	\$ (0.05)
Weighted average number of outstanding shares		183,590,042	129,107,688

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
2011 ANNUAL REPORT

Consolidated Statements of Comprehensive Loss

(expressed in Canadian dollars)

	Year ended	
	September 30, 2011	September 30, 2010
LOSS	\$ (7,429,603)	\$ (7,060,448)
Other comprehensive income:		
Reclassification adjustment for realized gain	(177,316)	(8,828)
Unrealized holding gains on marketable securities	-	177,316
COMPREHENSIVE LOSS FOR THE YEAR	\$ (7,606,919)	\$ (6,891,960)

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
2011 ANNUAL REPORT

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

		Year ended	
	Note	September 30, 2011	September 30, 2010
CASH PROVIDED FROM (USED FOR):			
OPERATING ACTIVITIES:			
Loss for the year		\$ (7,429,603)	\$ (7,060,448)
Less:			
Gain on disposal of discontinued operations	4	-	(1,812,285)
Loss from continuing operations		(7,429,603)	(8,872,733)
Items not affecting cash:			
Stock-based compensation		239,488	1,005,395
Impairment of due from related party	7	578,700	-
Foreign exchange loss on due from related party		40,195	-
Unrealized foreign exchange gain		-	(42,786)
Gain on disposal of equipment		(2,496)	-
Gain on sale of marketable securities		(784,167)	(1,261)
Amortization of property and equipment		87,246	121,235
		(7,270,637)	(7,790,150)
Net changes in operating balances:			
Accounts receivable		(184,538)	6,447,621
Due from related party		132,275	-
Prepaid expenses and deposits		(45,881)	(111,643)
Accounts payable and accrued liabilities		(50,627)	62,052
		(7,419,408)	(1,392,120)
INVESTING ACTIVITIES:			
Purchase of property and equipment		(40,936)	(14,822)
Proceeds on sale of equipment		8,017	-
Proceeds on sale of marketable securities		2,169,267	17,983
Proceeds on sale of discontinued operations		-	100,550
		2,136,348	103,711
FINANCING ACTIVITIES:			
Shares issued		12,208,750	3,000,000
Share issue costs		(987,701)	(128,442)
		11,221,049	2,871,558
Cash and cash equivalents used for discontinued operating activities		-	(9,331)
Change in cash and cash equivalents for the year		5,937,989	1,573,818
Cash and cash equivalents, beginning of the year		4,316,263	2,742,445
Cash and cash equivalents, end of the year		\$ 10,254,252	\$ 4,316,263

Supplementary disclosure with respect to cash flows – Note 12

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
2011 ANNUAL REPORT

SCHEDULE 1

Mineral Property Exploration Costs

(expressed in Canadian dollars)

	Year ended September 30, 2011			Year ended September 30, 2010		
	Slovakia Kuriskova	Slovakia Other	Slovakia Total	Slovakia Kuriskova	Slovakia Other	Slovakia Total
Amortization	\$ 42,880	\$ -	\$ 42,880	\$ 44,083	\$ -	\$ 44,083
Drilling and assays	1,180,851	511,780	1,692,631	3,373,356	118,919	3,492,275
Licenses and permits	13,931	33,153	47,084	9,320	26,065	35,385
Personnel, administration, and travel	446,487	107,650	554,137	448,451	47,594	496,045
Stock-based compensation	9,473	-	9,473	12,865	-	12,865
Socio-environmental studies	37,802	-	37,802	50,422	-	50,422
Studies and evaluations	1,916,196	6,724	1,922,920	490,235	-	490,235
	\$ 3,647,620	\$ 659,307	\$ 4,306,927	\$ 4,428,732	\$ 192,578	\$ 4,621,310

See accompanying notes to the consolidated annual financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Tournigan Energy Ltd. (the "Company") is a public company listed on the TSX Venture Exchange in Canada and the Frankfurt Stock Exchange in Germany. The Company's principal business activity is the sourcing, exploration, and development of mineral properties.

The Company has not generated revenues from operations. These consolidated financial statements are prepared 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 in the foreseeable future. Management believes that the Company's cash on hand at September 30, 2011, is sufficient to finance exploration activities and operations through the next twelve months. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

a) **Principles of consolidation and basis of accounting** - These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries until their disposal date. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

b) **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the periods reported. Significant estimates and assumptions include those related to the recoverability of deferred mineral property expenditures, estimated useful lives of equipment, determination as to whether costs are expensed or deferred, the existence of asset retirement obligations, stock based compensation and future income tax assets and liabilities. Actual results could differ from these estimates.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock based compensation and share purchase warrants issued in a private placement of units. The Company uses historical data to determine volatility in accordance with Black-Scholes modelling, however the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on share based compensation and hence results of operations, there is no impact on the Company's financial condition.

c) **Cash and cash equivalents** - Cash consists of cash and demand deposits with an original term to maturity of 90-days or less.

d) **Mineral properties** – Mineral property exploration expenditures, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Mineral property acquisition costs are capitalized and include cash consideration and the fair value of common shares and warrants issued for mineral property interests. These costs are amortized over the estimated life of the property following commencement of commercial production. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For property acquired under an option agreement or by joint venture, where payments are made at the sole discretion of the Company, payments are recorded in the accounts at the time of payment.

Mineral property option payments received are first credited to the individual project's mineral property costs before any remaining portion is recognized as mineral property income.

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

- e) **Property and equipment** - Property and equipment are recorded at cost and are amortized over their estimated useful lives: four years for vehicles; five years for office furniture and certain field equipment; three to five years for computers and electronic equipment; two years for software; and eight years for other assets. The Company reviews the carrying value of property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.

- f) **Share Capital** - The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option and warrant enabled the holder to purchase a share in the Company, together with any fair value ascribed to the option or warrant at the time of grant or issue.

Share capital issued for non-monetary consideration is recorded at an amount based on fair value.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values determined using the Black-Scholes pricing model.

- g) **Stock-based compensation** - The Company has a stock option plan. Employee and director stock options are measured at their fair value on the grant date and recognized over the vesting period. Non-employee stock options are measured at their fair value on date of vesting. Prior to vesting, non-employee stock options are recognized based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as compensation expense or allocated to exploration property costs. Agents' warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. On the exercise of stock options and agents' warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation and agents' warrants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

- h) **Translation of foreign currencies** – The Company's functional currency is the Canadian dollar. The Company's subsidiaries are integrated foreign operations which are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in the consolidated statements of operations and deficit.
- i) **Earnings per share** - Basic loss per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The Company computes diluted loss per share using the treasury stock method for all periods presented. The effect of all warrants and options outstanding is anti-dilutive such that diluted loss per share is the same as basic loss per share.
- j) **Income taxes** - Future income taxes relate to the expected future tax consequences of settling differences between the carrying amounts of balance sheet items and their corresponding tax values and from loss carry-forwards. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that a future income tax asset will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.
- k) **Financial instruments – recognition and measurement** - Standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:
- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current year net earnings;
 - Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income until the gain or loss is recognized in income;
 - Held-for-trading financial instruments are measured at fair value. All changes in fair value are included in net income in the year in which they arise; and
 - All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net income in the period in which they arise, except for hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income.

The Company has implemented the following classifications for its financial instruments:

- Cash and cash equivalents are classified as held-for-trading;
- Accounts receivable and due from related party have been classified as loans and receivables;
- Marketable securities have been classified as available-for-sale;
- Accounts payable and accrued liabilities have been classified as other financial liabilities; and
- The Company has no derivative financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performances; 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 those risks.

The Company also discloses financial instruments and non-financial derivatives classified 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.

- l) **Comprehensive income** - Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.
- m) **Asset retirement obligations** - The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of mineral properties. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the consolidated statements of operations and deficit. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. The Company recorded an asset retirement obligation of \$11,177 as at September 30, 2011, which is included in accounts payable and accrued liabilities, and a corresponding reclamation expense which is included in mineral property exploration costs for fiscal 2011.

Future Canadian accounting standards

- a) **Business combinations, non-controlling interest and consolidated financial statements** - In January 2009, the CICA issued Handbook Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replace CICA Handbook Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning October 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently. The adoption of this standard is not expected to have a material impact on the Company's financial statements.
- b) **International Financial Reporting Standards ("IFRS")** – The Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of October 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. Under IFRS, there is significantly more disclosure required. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. A detailed analysis of the impact of these new standards on the Company's financial statements is currently being evaluated by management.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

3. MARKETABLE SECURITIES

	September 30, 2011		September 30, 2010	
Ortac Resources Limited ("Ortac")	\$	-	\$	1,562,416
	\$	-	\$	1,562,416

During the year ended September 30, 2011, the Company sold all of its 87,668,530 common shares of Ortac for proceeds of \$2,169,267 realizing a gain of \$784,167.

During the year ended September 30, 2010, the Company received US\$550,000 and 87,688,530 common shares of Ortac valued at US\$1,350,000 as payment for the US\$1,900,000 note receivable from Ortac as described in Note 4.

At September 30, 2010, the Company recorded \$177,316 in other comprehensive income as an unrealized gain during the year then ended, related to the 87,668,530 common shares of Ortac owned at September 30, 2010.

During the year ended September 30, 2010, the Company sold its remaining 1,900,000 common shares of Condor Resources PLC, realizing a gain of \$164 and adjusting the unrealized gain in other comprehensive income by \$3,578 on the sale. In the same fiscal year, the Company sold 50,000 common shares of Nanika Resources Inc., realizing a gain of \$1,097 and adjusting the unrealized gain in other comprehensive income by \$5,250 on the sale.

4. DISCONTINUED OPERATIONS

Disposal of Kremnica Gold s.r.o. and Kremnica Gold Mining s.r.o. ("Kremnica Shares") – On January 27, 2010, the Company and Ortac executed a share purchase agreement ("SPA") which superseded a June 7, 2009, option agreement pursuant to which Ortac had earned 20% of the Kremnica Shares by completion of the first milestone pursuant to the option agreement. Pursuant to the SPA, Ortac purchased and took possession of 80% of the Kremnica Shares on closing the amendment agreement for consideration of US\$2,000,000 which was paid in a combination of US\$100,000 cash on the transfer of the Kremnica Shares to Ortac and delivery of a US\$1,900,000 non-interest bearing promissory note (the "Promissory Note"), secured by all the assets of Ortac, which was settled upon Ortac completing a public listing in September 2010. The Promissory Note was received in fiscal 2010 for US\$550,000 in cash, plus shares in Ortac to the equivalent cash value of US\$1,350,000. The Ortac shares were sold during the year ended September 30, 2011 (Note 3).

The Company will recognize additional consideration, if and when, within 60 days of all required permits having been obtained to permit commercial production at the Kremnica property, Ortac will pay the Company US\$3,750,000 cash or in Ortac shares to the equivalent cash value being \$15.00 per ounce of the first 250,000 ounces of gold equivalent (gold plus silver) resource defined as proven and probable reserve in the bankable feasibility study. Ortac has granted the Company a 2% net smelter return ("NSR") royalty on gold and silver production from the Kremnica property as currently comprised, which includes three exploration licenses, to a limit of the first one million ounces produced after which it will reduce to a 1% NSR royalty on the next one million ounces, after which it will extinguish.

Ortac may buy-down the 2% NSR royalty granted to the Company, to 1%, at any time by paying the Company US\$1 million cash.

Included in accounts receivable at September 30, 2010, were amounts owed by Ortac to the Company of \$32,627 (collected) for reimbursement of Kremnica operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

4. DISCONTINUED OPERATIONS (continued)

Disposal of Tournigan USA Inc. ("TUSA") – On February 23, 2009 the Company completed the sale of its wholly-owned subsidiary TUSA to Fischer-Watt Gold Company, Inc. ("Fischer-Watt"). At the time, the Company retained a 30% carried interest in respect of each TUSA property up to the completion of a feasibility study for any project encompassing any such property. Upon completion of a feasibility study, the Company's carried interest in respect of any such project would have converted into a 30% carried interest in the project, or the Company would have had the option to dilute down to a 5% net profits interest.

On July 13, 2011, the Company and Fischer-Watt agreed to cancel the balance of US\$600,000 owing at that time, in exchange for a conversion of the Company's carried interest in the properties, to a 2% NSR over any of Fischer-Watt's uranium properties in the Wyoming counties of Carbon, Sublette, Sweetwater, and Fermont and the Fall River County of South Dakota, to a cap of US\$10,000,000. The NSR applies to any uranium properties currently held by Fischer-Watt as well as any uranium properties that they may acquire in the future.

Fischer-Watt may re-purchase half of the NSR any time before July 13, 2016, for US\$3,000,000. This US\$3,000,000 buyout would reduce the US\$10,000,000 cap to US\$5,000,000.

The TSX Venture Exchange accepted this related party agreement for filing.

5. PROPERTY AND EQUIPMENT

	September 30, 2011			September 30, 2010		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Canada:						
Computer and electronic equipment	\$ 93,446	\$ 93,446	\$ -	\$ 93,446	\$ 86,045	\$ 7,401
Office and field equipment	180,224	143,150	37,074	180,224	107,105	73,119
Software	118,410	118,410	-	118,410	118,410	-
	<u>392,080</u>	<u>355,006</u>	<u>37,074</u>	<u>392,080</u>	<u>311,560</u>	<u>80,520</u>
United States:						
Computer and electronic equipment	4,808	1,325	3,483	1,080	405	675
Slovakia:						
Computer and electronic equipment	11,994	9,992	2,002	11,994	7,664	4,330
Vehicles	76,507	46,372	30,135	67,217	48,880	18,337
Office and field equipment	106,699	69,672	37,027	106,699	49,009	57,690
Software	21,285	21,285	-	21,285	21,285	-
	<u>216,485</u>	<u>147,321</u>	<u>69,164</u>	<u>207,195</u>	<u>126,838</u>	<u>80,357</u>
	<u>\$ 613,373</u>	<u>\$ 503,652</u>	<u>\$ 109,721</u>	<u>\$ 600,355</u>	<u>\$ 438,803</u>	<u>\$ 161,552</u>

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Disclosures

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, and accounts payable and accrued liabilities.

The fair value of cash and cash equivalents is measured on the balance sheet using level 1 of the fair value hierarchy. The fair values of accounts receivable, and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. Periodic adjustments to the fair values of marketable securities are recorded in other comprehensive income until disposed of, and these marketable securities are measured on the balance sheet using level 1 of the fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk – Credit risk is the risk of an unexpected loss of a third party to a financial instrument failing to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank investments, and accounts and other receivables. The Company limits its exposure to credit risk in its cash and cash equivalents by restricting investments to highly-rated major Canadian bank deposits and liquid securities, or Government of Canada treasury bills. The Company does not invest in money market funds. The Company has no risk exposure to asset backed commercial paper or auction-rate securities.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is invested in business bank accounts which are available on demand. Company's cash on hand at September 30, 2011, is sufficient to finance exploration activities and operations through the next twelve months.

Interest rate risk - The Company's only significant market risk exposure is interest rate risk. The Company's bank accounts earn interest income at variable rates. The fair value of its cash equivalents is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term interest rates.

Foreign currency risk - The Company maintains its accounts in Canadian dollars. The Company's expenditures in Slovakia and the USA make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian Dollar exchange rate vis-à-vis the Euro and the US Dollar. The Company purchases foreign currencies as the need arises in order to fund its exploration and development activities. Corporate expenditures are mainly incurred in Canadian and US dollars. The effect of a one percent change in the foreign exchange rate on the working capital items held in Euro and United States dollars would result in an approximate \$44,000 decrease or increase, respectively, in net loss for the year ended September 30, 2011, and shareholder's equity as at September 30, 2011. The Company has not hedged its exposure to foreign currency fluctuations.

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 uranium, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

7. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

	Number of Shares	Share Capital	Contributed Surplus
Issued as at September 30, 2009	122,697,859	\$ 108,370,841	\$ 9,594,901
Stock-based compensation	-	-	1,005,395
Shares issued pursuant to a private placement	30,000,000	2,454,476	545,524
Share issue costs	-	(128,442)	-
Warrants issued as finders' fees	-	(48,027)	48,027
Cancellation of shares held in escrow	(9,375)	(8,250)	8,250
Issued as at September 30, 2010	152,688,484	110,640,598	11,202,097
Stock-based compensation	-	-	239,488
Shares issued pursuant to a public offering	40,000,000	9,653,740	2,346,260
Share issue costs	-	(987,701)	-
Warrants issued as agent fees	-	(379,145)	379,145
Exercise of finders' fee warrants	1,043,750	247,161	(38,411)
Issued as at September 30, 2011	193,732,234	\$ 119,174,653	\$ 14,128,579

Share issuance:

Fiscal 2011

On December 30, 2010, the Company completed a public offering of 40,000,000 units ("Unit") at a price of \$0.30 per unit, for gross proceeds of \$12,000,000. Each Unit consisted of one common share (a "Share") and one-half of one share purchase warrant (a "Warrant"). Each full Warrant is exercisable to purchase an additional Share of the Company at \$0.40 each until December 30, 2012. The proceeds of the financing of \$12,000,000 were allocated on a relative fair value basis as \$9,653,740 to Shares and \$2,346,260 as to Warrants. The Company paid \$720,000 cash and issued an additional 2,400,000 share purchase warrants ("Agents' Warrants") at a fair value of \$379,145 as agent finder's fees pursuant to the public offering. Cash share issue costs pursuant to this public offering were an additional \$267,701.

The assumptions used in the Black-Scholes option pricing model for the relative fair value allocation and the fair value of the Agents' Warrants were: a risk free interest rate of 1.7%; an expected volatility of 101.6%; an expected life of 2 years; and an expected dividend of zero.

Fiscal 2010

On July 14, 2010, the Company completed a non-brokered private placement of 30,000,000 units ("Unit") at a price of \$0.10 per unit, for gross proceeds of \$3,000,000. Each Unit consisted of one common share (a "Share") and one-half of one share purchase warrant (a "Warrant"). Each full Warrant is exercisable to purchase an additional Share of the Company at \$0.20 each until July 14, 2012. The proceeds of the financing of \$3,000,000 were allocated on a relative fair value basis as \$2,454,476 to Shares and \$545,524 as to Warrants. The Company paid \$102,900 cash and issued an additional 1,029,000 share purchase warrants ("Finders' Warrant") at a fair value of \$48,027 as finders' fees pursuant to the private placement. Other cash share issue costs pursuant to this private placement were an additional \$25,542.

The assumptions used in the Black-Scholes option pricing model for the relative fair value allocation and the fair value of the Finders' Warrants were: a risk free interest rate of 1.62%; an expected volatility of 113%; an expected life of 2 years; and an expected dividend of zero.

There were 9,375 common shares held in escrow at September 30, 2009. In the 2010 fiscal year, the Company received Exchange approval to cancel the escrow agreement and return the shares to its treasury. The cancellation was valued at the average per-share book value as at the beginning of the 2010 fiscal year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Warrants:

The continuity for share purchase warrants as at September 30, 2011, is as follows:

Expiry date	Exercise price	Balance, September 30, 2010	Issued	Exercised	Expired	Balance, September 30, 2011				
July 14, 2012	\$ 0.20	15,000,000	-	(1,000,000)	-	14,000,000				
July 14, 2012 (Finders)	\$ 0.20	1,029,000	-	(43,750)	-	985,250				
December 30, 2012	\$ 0.40	-	20,000,000	-	-	20,000,000				
December 30, 2012 (Agents)	\$ 0.40	-	2,400,000	-	-	2,400,000				
		16,029,000	22,400,000	(1,043,750)	-	37,385,250				
Weighted average exercise price	\$	0.20	\$	0.40	\$	0.20	\$	-	\$	0.32

The continuity for share purchase warrants as at September 30, 2010, is as follows:

Expiry date	Exercise price	Balance, September 30, 2009	Issued	Exercised	Expired	Balance, September 30, 2010				
July 14, 2012	\$ 0.20	-	15,000,000	-	-	15,000,000				
July 14, 2012 (Finders)	\$ 0.20	-	1,029,000	-	-	1,029,000				
		-	16,029,000	-	-	16,029,000				
Weighted average exercise price	\$	-	\$	0.20	\$	-	\$	-	\$	0.20

Options:

On March 30, 2010, the Company's shareholders approved the renewal of an amended rolling stock option plan applicable to directors, employees and consultants, under which the total outstanding stock options are limited to 5% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX Venture Exchange. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

The continuity for stock options as at September 30, 2011, is as follows:

Expiry date	Exercise price	Balance, September 30, 2010	Granted	Exercised	Cancelled	Balance, September 30, 2011				
November 10, 2013	\$ 0.22	250,000	-	-	-	250,000				
January 26, 2014	\$ 0.24	300,000	-	-	-	300,000				
April 27, 2014	\$ 0.44	2,025,000	-	-	-	2,025,000				
March 26, 2015	\$ 0.30	3,000,000	-	-	-	3,000,000				
July 15, 2016	\$ 0.11	-	3,675,000	-	(75,000)	3,600,000				
		5,575,000	3,675,000	-	(75,000)	9,175,000				
Weighted average exercise price	\$	0.34	\$	0.11	\$	0.11	\$	-	\$	0.25

At September 30, 2011, all of the outstanding options were exercisable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Options (continued):

The continuity for stock options as at September 30, 2010, is as follows:

Expiry date	Exercise price	Balance, September 30, 2009	Granted	Exercised	Cancelled	Balance, September 30, 2010				
February 15, 2011	\$ 1.45	233,333	-	-	(233,333)	-				
March 31, 2011	\$ 1.86	1,100,000	-	-	(1,100,000)	-				
February 16, 2012	\$ 3.44	50,000	-	-	(50,000)	-				
March 29, 2012	\$ 2.97	400,000	-	-	(400,000)	-				
July 25, 2012	\$ 3.63	50,000	-	-	(50,000)	-				
August 1, 2012	\$ 3.29	75,000	-	-	(75,000)	-				
December 10, 2012	\$ 1.35	120,000	-	-	(120,000)	-				
February 27, 2013	\$ 1.16	720,000	-	-	(720,000)	-				
July 10, 2013	\$ 0.90	1,000,000	-	-	(1,000,000)	-				
August 31, 2013	\$ 0.40	100,000	-	-	(100,000)	-				
November 10, 2013	\$ 0.22	250,000	-	-	-	250,000				
January 26, 2014	\$ 0.24	300,000	-	-	-	300,000				
April 27, 2014	\$ 0.44	2,025,000	-	-	-	2,025,000				
March 26, 2015	\$ 0.30	-	3,000,000	-	-	3,000,000				
		6,423,333	3,000,000	-	(3,848,333)	5,575,000				
Weighted average exercise price	\$	1.11	\$	0.30	\$	-	\$	1.59	\$	0.34

Stock-Based Compensation:

Fiscal 2011

The total stock-based compensation recorded in the year ended September 30, 2011, net of forfeiture and cancellation, was \$239,488, of which \$230,015 was recorded in expenses and \$9,473 was recorded in mineral property exploration costs. During the 2011 fiscal year, an employee left the Company and the Company recorded a forfeiture of \$1,266 and cancelled 75,000 unvested stock options that were granted on July 15, 2011, for \$2,782.

The fair value of the 3,675,000 options granted on July 15, 2011, was determined using a risk free interest rate of 1.45%, an expected volatility ranging from 94.6% to 98.2%, an expected life of ranging from 1.9 to 2.5 years, and an expected dividend of zero for a total grant-date fair value of \$215,703 or an average of \$0.06 per option.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Stock-Based Compensation (continued):

Fiscal 2010

During the year ended September 30, 2010, the Company concurrently cancelled 3,698,333 stock options, 666,667 of which had not vested, and granted 3,000,000 stock options. The newly-granted stock options were accounted for as a modification to the terms of the cancelled options. Accordingly, the incremental value of the newly-granted stock options was calculated using the Black-Scholes option pricing model using the following assumptions:

- a) Directors:
 - i) 2.62 year expected life;
 - ii) 96% annualized volatility;
 - iii) zero expected dividend yield;
 - iv) 1.63% risk free interest rate; and
 - v) The fair value was calculated as \$0.1297 per option.

- b) Employees and consultants:
 - i) 1.70 year weighted average expected life;
 - ii) 96% annualized volatility;
 - iii) zero expected dividend yield;
 - iv) 1.63% risk free interest rate; and
 - v) The fair value was calculated as \$0.1035 per option.

The unrecognized fair value of the unvested and cancelled stock options (666,667 options with an unrecognized fair value of \$226,462) was also recognized in the year along with the continued vesting of the balance of the stock options previously granted.

The total share-based compensation recorded in the year ended September 30, 2010, was \$1,005,395, of which \$992,530 was recorded in expenses and \$12,865 was recorded in mineral property exploration costs. The remaining \$27,833 fair value of the options granted was recognized as the options vested through the first quarter of fiscal year 2011.

8. RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions

	Year ended September 30, 2011	Year ended September 30, 2010
Legal fees to a law firm in which a director is a partner	\$ 9,447	\$ 60,584
Share issue costs to a law firm in which a director is a partner	108,535	9,572
Consulting fees to a company controlled by an officer	118,667	102,000

Legal fees and share issue costs were billed at standard industry rates. Consulting fees were based on rates commensurate with the costs of obtaining employee or director services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances

Accounts receivable, and accounts payable and accrued liabilities balances include the following related party balances.

	September 30, 2011	September 30, 2010
Accounts receivable from Ortac	\$ -	\$ 32,627
Due from related party	\$ -	\$ 751,170
Accounts payable and accrued liabilities - due to related parties	\$ 8,355	\$ 9,617

Accounts receivable from Ortac: This amount is discussed in Note 4. Dorian Nicol, the President and Chief Executive Officer of the Company became a director of Ortac after executing the Share Purchase Agreement.

Due from related party: The amount owed at September 30, 2010, by Fischer-Watt Gold Corp. Inc., relates to the February 23, 2009 sale of Tournigan USA Inc. The Chairman, President and CEO of Fischer-Watt is Peter Bojtos, who is a director of the Company.

As at September 30, 2010, Fischer-Watt owed the Company \$751,170 (US\$730,000). In December 2010, the Company collected \$132,275 (US\$130,000) of this receivable and impaired the balance of \$578,700 (US\$600,000) to \$nil (see Note 4).

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended September 30, 2011	Year ended September 30, 2010
Canadian statutory income tax rate	27.0%	28.875%
Income tax recovery at statutory rate	\$ (2,005,993)	\$ (2,038,704)
Decrease (increase) resulting from:		
Difference between current and future rate	31,936	54,666
Difference between statutory and foreign rates	363,518	468,270
Permanent differences	(2,594,367)	5,126,594
Unrecognized tax attributes	4,204,906	(3,610,826)
Income tax recoverable	\$ -	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2011 and 2010

(expressed in Canadian dollars)

9. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax assets are presented below:

	September 30, 2011	September 30, 2010
Mineral properties and resource pools	\$ 7,534,906	\$ 6,731,733
Loss carry-forwards	10,088,599	6,998,537
Share issuance costs	291,591	30,371
Property and equipment	133,531	82,080
Marketable securities	-	(22,165)
Valuation allowance	(18,048,627)	(13,820,556)
	\$ -	\$ -

Based upon the level of historical taxable income and projections for future taxable income over the years in which the future tax assets are available for deduction, management has provided a full valuation allowance for the future income tax assets.

Subject to certain restrictions, the Company has capital losses of \$26,326,000 and non-capital losses of \$24,661,000 available to reduce future Canadian taxable income. There are no expiry limitations with respect to the capital losses. The Canadian non-capital losses expire as follows:

Year	
2013	\$ 2,433,000
2014	2,512,000
2025	3,980,000
2026	3,843,000
2027	472,000
2028	4,690,000
2029	3,435,000
2030	2,057,000
2031	1,239,000
	\$ 24,661,000

The Company has Slovakian operating tax losses of \$1,506,000 which expire over the next five-year period to 2016.

10. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of uranium mineral properties in Slovakia and has three geographical segments: Canada, the USA and Slovakia. The total assets attributable to the geographical locations relate primarily to property and equipment and have been disclosed in Note 5.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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11. COMMITMENTS

Mineral properties – The expenditures necessary during fiscal 2012, to maintain the good standing of the Company's mineral property licences in Slovakia are as follows:

Project Name	License Name	License Renewal Date	License Fees Due in 2012	Minimum Work Requirement for 2012
Kuriskova	Cermel-Jahodna	April 2013	€ 6,400	€ -
Novoveska Huta	Spisska Nova Ves	April 2013	3,655	-
Svabovce and Spissky Stiavnick	Spisska Teplica	May 2013	8,960	-
Kluknava	Kluknava	August 2014	5,775	-
Chrast nad Hornadom	Chrast nad Hornadom	October 2014	5,775	-
Vitaz	Vitaz	April 2013	500	30,000
Total in Euro			€ 31,065	€ 30,000
Approximate value in Canadian dollars			\$ 43,491	\$ 42,000

12. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

	Note	September 30, 2011	September 30, 2010
Non-cash investing and financing activities:			
Sale of mineral property for marketable securities	3 & 4	\$ -	\$ 1,385,100
Fair value of warrants exercised	7	38,411	-
Fair value of warrants issued as finders' fees	7	379,145	48,027
Cancellation of shares held in escrow	7	-	8,250
Supplemental cash flow information:			
Cash paid during the year for interest		\$ -	\$ -
Cash paid during the year for income taxes		-	-

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2011, the Company:

- reports that 175,000 stock options expired, unexercised;
- completed an exclusive non-brokered private placement of 14,285,714 units (the "Units") at a price of \$0.07 per Unit to raise gross proceeds of \$1,000,000 with Compagnie Française de Mines et Métaux, an affiliate of AREVA. Each Unit consists of one common share and one non-transferable common share purchase warrant, with each warrant entitling AREVA to purchase one additional common share in the capital of the Company at a price of \$0.20 for a period of three years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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- c) entered into a binding letter agreement to acquire all of Mawson Resources Ltd.'s ("Mawson") right, title and interest in and to 7 uranium exploration projects located in Sweden and Finland for aggregate consideration of 53,639,848 common shares of the Company. Mawson will distribute the Tournigan shares received on a pro rata basis to its shareholders pursuant to a plan of arrangement prior to April 30, 2012. Until then, Mawson has agreed not to exercise the voting rights attaching to the Tournigan shares.