# U308 CORP.
# (A DEVELOPMENT STAGE COMPANY)
# INTERIM CONSOLIDATED FINANCIAL STATEMENTS
# THREE AND SIX MONTHS ENDED JUNE 30, 2008
# (EXPRESSED IN CANADIAN DOLLARS)
# (UNAUDITED)

The **Uranium** Discovery Company

U308 CORP

# Management's Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of U308 Corp. (A development stage company as defined by the Canadian Institute of Chartered Accountants Accounting Guideline 11) were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the years presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

# Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The Uranium Discovery Company

U308 CORP

## U308 Corp.

**Interim Consolidated Balance Sheets**
**(A Development Stage Company)**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 17,421,713** | $ 22,515,045 |
| Accounts receivable, prepaids and deposits | **119,038** | 104,010 |
| Restricted cash (note 11) | **36,250** | - |
| | **17,577,001** | 22,619,055 |
| Property and equipment (note 5) | **1,646,361** | 1,639,169 |
| | **$ 19,223,362** | $ 24,258,224 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **$ 876,016** | $ 588,676 |
| **Shareholder's equity** | | |
| Share capital (note 8) | **30,197,967** | 30,197,967 |
| Warrants (note 9) | **711,512** | 711,512 |
| Contributed surplus | **2,248,058** | 2,166,840 |
| Accumulated deficit | **(14,810,191)** | (9,406,771) |
| | **18,347,346** | 23,669,548 |
| | **$ 19,223,362** | $ 24,258,224 |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

The Uranium Discovery Company

U308 CORP

## U308 Corp.

**Interim Consolidated Statements of Operating Loss and Comprehensive Loss**
**(A Development Stage Company)**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Three months ended June 30, 2008 | Three months ended June 30, 2007 | Six months ended June 30, 2008 | Six months ended June 30, 2007 | Cumulative since inception on December 6, 2005 |
|---|---|---|---|---|---|
| **Operating expenditures** | | | | | |
| Guyana exploration expenditures | **$ 2,530,966** | $ 1,040,822 | **$ 4,219,418** | $ 1,871,007 | $ 10,467,572 |
| Amortization - Guyana | **34,085** | 84,475 | **227,846** | 128,129 | 604,338 |
| | **2,565,051** | 1,125,297 | **4,447,264** | 1,999,136 | 11,071,910 |
| **General and administration expenses** | | | | | |
| Directors' stock-based compensation | **(28,830)** | 268,811 | **3,897** | 586,905 | 1,107,975 |
| Professional fees | **376,372** | 105,555 | **424,928** | 132,029 | 893,571 |
| Business development | **180,187** | 85,406 | **242,193** | 129,851 | 663,431 |
| Management compensation | **73,225** | 54,705 | **218,581** | 161,710 | 888,844 |
| Investor relations | **147,807** | 70,647 | **174,166** | 132,171 | 512,543 |
| Administrative and general | **116,008** | 46,748 | **175,221** | 88,801 | 521,770 |
| Consulting fees | **7,500** | - | **12,500** | - | 166,500 |
| Reporting issuer costs | **30,709** | 12,191 | **48,933** | 20,478 | 119,493 |
| Directors' compensation | **15,022** | 12,828 | **30,044** | 25,772 | 80,926 |
| | **918,000** | 656,891 | **1,330,463** | 1,277,717 | 4,955,053 |
| Less: Interest income | **(146,325)** | (257,354) | **(330,645)** | (514,431) | (1,342,783) |
| | **771,675** | 399,537 | **999,818** | 763,286 | 3,612,270 |
| **Operating loss before the following items** | **(3,336,726)** | (1,524,834) | **(5,447,082)** | (2,762,422) | (14,684,180) |
| Amortization - Canada | **972** | 623 | **1,790** | 1,247 | 8,006 |
| Interest | **-** | - | **-** | - | 8,482 |
| Foreign exchange loss (gain) | **(8,631)** | (56,712) | **(45,452)** | (46,602) | 109,523 |
| **Operating loss and comprehensive loss** | **$ (3,329,067)** | $ (1,468,745) | **$ (5,403,420)** | $ (2,717,067) | $(14,810,191) |
| **Loss per share** | **$ (0.14)** | $ (0.06) | **$ (0.23)** | $ (0.12) | |
| **Weighted average number of common shares outstanding** | **23,057,700** | 23,023,152 | **23,057,700** | 22,982,149 | |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

The **Uranium** Discovery Company

U308 CORP

## U308 Corp.

**Interim Consolidated Statements of Cash Flows**
**(A Development Stage Company)**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Three months ended June 30, 2008 | Three months ended June 30, 2007 | Six months ended June 30, 2008 | Six months ended June 30, 2007 | Cumulative since inception on December 6, 2005 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Operating loss | **$ (3,329,067)** | $ (1,468,745) | **$ (5,403,420)** | $ (2,717,067) | $(14,810,191) |
| Amortization | **35,057** | 85,098 | **229,636** | 129,376 | 612,344 |
| Stock-based compensation (note 7) | **(20,058)** | 472,734 | **81,218** | 1,106,346 | 2,248,058 |
| Foreign exchange loss (gain) | **(8,631)** | (56,712) | **(45,452)** | (46,602) | 109,523 |
| Non-cash working capital items: | | | | | |
| Accounts receivable, prepaids and deposits | **10,478** | 16,973 | **(15,028)** | (41,096) | (116,788) |
| Restricted cash (note 11) | **(36,250)** | - | **(36,250)** | - | (36,250) |
| Accounts payable and accrued liabilities | **481,047** | (67,402) | **287,340** | (302,455) | 876,016 |
| | **(2,867,424)** | (1,018,054) | **(4,901,956)** | (1,871,498) | (11,117,288) |
| **Financing activities** | | | | | |
| Common shares issued for cash | **-** | - | **-** | - | 32,653,750 |
| Cost to issue equity securities | **-** | - | **-** | - | (2,140,771) |
| Warrants issued for cash | **-** | 190,500 | **-** | 394,250 | 394,250 |
| | **-** | 190,500 | **-** | 394,250 | 30,907,229 |
| **Investing activities** | | | | | |
| Acquisition of property and equipment | **(151,678)** | (611,783) | **(236,828)** | (1,400,060) | (2,258,705) |
| **Net change in cash and cash equivalents** | **(3,019,102)** | (1,439,337) | **(5,138,784)** | (2,877,308) | 17,531,236 |
| **Cash and cash equivalents, beginning of period** | **20,432,184** | 27,115,508 | **22,515,045** | 28,563,589 | **-** |
| **Effect of exchange rate changes on cash held in foreign currencies** | **8,631** | 56,712 | **45,452** | 46,602 | (109,523) |
| **Cash and cash equivalents, end of period** | **$ 17,421,713** | $ 25,732,883 | **$ 17,421,713** | $ 25,732,883 | $ 17,421,713 |
| **Cash and cash equivalents consist of:** | | | | | |
| **Cash** | **$ 1,585,116** | $ 21,369,049 | **$ 1,585,116** | $ 21,369,049 | **$ 1,585,116** |
| **Guaranteed investment certificates** | **15,836,597** | 4,363,834 | **15,836,597** | 4,363,834 | **15,836,597** |
| | **$ 17,421,713** | $ 25,732,883 | **$ 17,421,713** | $ 25,732,883 | **$ 17,421,713** |
| **Supplemental information** | | | | | |
| Income taxes paid | **$ -** | $ - | **$ -** | $ - | $ - |
| Interest paid | **$ -** | $ - | **$ -** | $ - | $ 8,482 |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

# U308 Corp.

**Interim Consolidated Statements of Changes in Shareholders' Equity**
**(A Development Stage Company)**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | **Six months ended June 30, 2008** | | Year ended December 31, 2007 | | Cumulative since inception on December 6, 2005 | |
|---|---|---|---|---|---|---|
| | **Number of common shares** | **Amount** | Number of common shares | Amount | Number of common shares | Amount |
| **Share Capital** | | | | | | |
| Authorized | | | | | | |
| The Corporation's authorized share capital consists of an unlimited number of common shares | | | | | | |
| Common shares issued and outstanding: | | | | | | |
| Balance, beginning of period | **23,057,700** | **$ 30,197,967** | 22,900,000 | $ 29,606,277 | - | $ - |
| Issued for cash on incorporation | **-** | **-** | - | - | 3,750,000 | 3,750 |
| Purchase of Prometheus Resources (Barbados) Inc. | **-** | **-** | - | - | 2,250,000 | 2,250 |
| Private placements | **-** | **-** | - | - | 4,800,000 | 2,400,000 |
| Initial public offering | **-** | **-** | - | - | 12,100,000 | 30,250,000 |
| Fair market value of broker warrants issued | **-** | **-** | - | - | - | (908,952) |
| Cost of issue - cash | **-** | **-** | - | - | - | (2,140,771) |
| Conversion of warrants | **-** | **-** | 157,700 | 394,250 | 157,700 | 394,250 |
| Fair market value of conversion of warrants | **-** | **-** | - | 197,440 | - | 197,440 |
| Balance, end of period | **23,057,700** | **$ 30,197,967** | 23,057,700 | $ 30,197,967 | 23,057,700 | $ 30,197,967 |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

The **Uranium** Discovery Company

# U308 Corp.

**Interim Consolidated Statements of Changes in Shareholders' Equity**
**(A Development Stage Company)**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

**Warrants**

| | **Six months ended June 30, 2008** | | | Year ended December 31, 2007 | | | Cumulative since inception on December 6, 2005 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Number of common shares** | | **Amount** | Number of common shares | | Amount | Number of common shares | | Amount |
| Balance, beginning of period | **568,300** | **$** | **711,512** | 726,000 | $ | 908,952 | - | $ | - |
| Fair market value of broker warrants issued | **-** | | **-** | - | | - | 726,000 | | 908,952 |
| Conversion of warrants | **-** | | **-** | (157,700) | | (197,440) | (157,700) | | (197,440) |
| Balance, end of period | **568,300** | **$** | **711,512** | 568,300 | $ | 711,512 | 568,300 | $ | 711,512 |

**Contributed surplus**

| | **Six months ended June 30, 2008 Amount** | | Year ended December 31, 2007 Amount | | Cumulative since inception on December 6, 2005 Amount | |
|---|---|---|---|---|---|---|
| Balance, beginning of period | **$** | **2,166,840** | $ | 595,595 | $ | - |
| Stock-based compensation (note 7) | | **81,218** | | 1,571,245 | | 2,248,058 |
| Balance, end of period | **$** | **2,248,058** | $ | 2,166,840 | $ | 2,248,058 |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

The **Uranium** Discovery Company

U308 CORP

## U308 Corp.

**Consolidated Statements of Changes in Shareholders' Equity**
**(A Development Stage Company)**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| **Accumulated deficit** | **Six months ended June 30, 2008 Amount** | Year ended December 31, 2007 Amount | Cumulative since inception on December 6, 2005 Amount |
|---|---|---|---|
| Balance, beginning of period | **$ (9,406,771)** | $ (2,734,988) | $ - |
| Operating loss | **(5,403,420)** | (6,671,783) | (14,810,191) |
| Balance, end of period | **$ (14,810,191)** | $ (9,406,771) | $ (14,810,191) |
| **Total Shareholders' Equity** | **$ 18,347,346** | $ 23,669,548 | $ 18,347,346 |

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

The **Uranium** Discovery Company

## 1. Nature of operations and going concern

U308 Corp. ("U308" or the "Corporation") is a Canadian junior exploration company engaged in acquiring and exploring mineral properties for uranium. To date, U308 has not earned significant revenues from uranium exploration and is considered to be in the development stage. The Corporation is a development stage entity as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11.

Since inception, December 6, 2005, being the date of incorporation, the efforts of the Corporation have been devoted to uranium exploration in Guyana. The Corporation has focused on certain "Reconnaissance Permits" (consisting collectively of Permit "A" and Permit "B") granted to the Corporation by the Guyana Geological and Mines Commission ("GGMC"). The Corporation is in the process of exploring the land area assigned by the Reconnaissance Permits and has not yet determined whether the land area contains an economic uranium resource.

Although the Corporation has taken steps to verify title to the Reconnaissance Permits on which it is conducting exploration, in accordance with industry standards for the current stage of exploration, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Corporation's Reconnaissance Permits at June 30, 2008 are located outside of Canada and are subject to the risks normally associated with foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

As at June 30, 2008, the Corporation had working capital of $16,700,985 and an accumulated deficit of $14,810,191. Management of the Corporation believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Corporation's ability to continue operations and fund its exploration in Guyana is dependent on management's ability to secure additional financing. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited consolidated financial statements.

## 2. Basis of presentation and accounting policies

The unaudited interim consolidated financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Corporation's audited consolidated financial statements for the year ended December 31, 2007, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

## 2. Basis of presentation and accounting policies (continued)

### Capital disclosures and financial instruments – disclosures and presentation (continued)

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Corporation on January 1, 2008.

#### Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Corporation has included disclosures recommended by the new Handbook section in note 3 to these interim financial statements.

#### Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Corporation has included disclosures recommended by the new Handbook section in note 4 to these interim financial statements.

### Future accounting changes

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

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation is currently assessing the impact of these new accounting standards on its consolidated financial statements.

#### Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Corporation is currently assessing the impact of these new accounting standards on its consolidated financial statements.

## 3. Capital management

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

The Corporation is currently attempting to identify a uranium resource; as such, the Corporation is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts as needed. The Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

There were no changes in the Corporation's approach to capital management during the three and six months ended June 30, 2008. The Corporation is not subject to externally imposed capital requirements.

## 4. Risk factors

The Corporation’s significant assets are the Reconnaissance Permits granted by the GGMC in Guyana. Unless the Corporation acquires or develops additional significant assets, the Corporation will be solely dependent upon the Reconnaissance Permits. If no additional assets are acquired by the Corporation, any adverse development affecting the Reconnaissance Permits would have a material adverse effect on the Corporation’s financial condition and results of operations.

Other risk factors and the impact on the Corporation's financial instruments are summarized below:

### Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to cash, guaranteed investment certificates, accounts receivable and deposits and restricted cash. Cash, guaranteed investment certificates and restricted cash are held with major Canadian chartered banks, from which management believes the risk of loss to be remote.

Financial instruments included in accounts receivable and deposits consist of sales tax receivable from government authorities in Canada and deposits held with service providers. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable and deposits is remote.

**4. Risk factors (continued)**

**Liquidity risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2008, the Corporation had a cash and cash equivalents balance of $17,421,713 (December 31, 2007 - $22,515,045) to settle current liabilities of $876,016 (December 31, 2007 - $588,676). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Market risk**

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

(a) Interest rate risk

The Corporation has cash balances and no interest-bearing debt. The Corporation's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. The Corporation periodically monitors the investments it makes and is satisfied with the creditworthiness of its major Canadian chartered banks. As of June 30, 2008, the Corporation had an aggregate total of $15,836,597 (December 31, 2007 - $19,760,581) invested in guaranteed investment certificates with two major Canadian chartered banks.

(b) Foreign currency risk

The Corporation's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Corporation funds certain operations, exploration and administrative expenses in Guyana on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Corporation maintains US dollar bank accounts in Canada, Barbados, and Guyana and Guyanese bank accounts in Guyana. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Commodity uranium price risk

The Corporation is exposed to price risk with respect to commodity uranium prices. Commodity uranium price risk is defined as the potential adverse impact on earnings and economic value due to commodity uranium price movements and volatilities. The Corporation closely monitors commodity uranium prices to determine the appropriate course of action to be taken by the Corporation.

**Sensitivity analysis**

The Corporation has designated its cash and guaranteed investment certificates as held-for-trading, which is measured at fair value. Accounts receivable and deposits are classified as loans and receivables, which are measured at amortized cost and is equal to fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost and are also equal to fair value.

## 4 . Risk factors (continued)

### Sensitivity analysis (continued)

As of June 30, 2008, both the carrying and fair value amounts of the Corporation's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are "reasonably possible" over the six month period:

(i) Held-for-trading assets include a certificate of deposit of $10,888,800 with a Canadian chartered bank which has a floating interest rate. As at June 30, 2008, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the six months ended June 30, 2008 would have been $108,000 higher/lower, as a result of lower/higher interest income from the certificate of deposit. Similarly, as at June 30, 2008, shareholders' equity would have been $108,000 lower/higher as a result of lower/higher interest income from the certificate of deposit due to a 1% decrease/increase in interest rates.

(ii) Cash and cash equivalents, accounts receivable and deposits and accounts payable and accrued liabilities denominated in US and Guyanese dollars are subject to foreign currency risk. As at June 30, 2008, had the US and Guyanese dollar weakened/strengthened by 10% against the Canadian dollar with all other variables held constant, the Company's loss for the six months ended June 30, 2008 would have been approximately $69,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Equity would have been approximately $69,000 lower/higher had the US and Guyanese dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

(iii) Commodity uranium price risk could adversely affect the Corporation. In particular, the Corporation's future profitability and viability of development depends upon the world market price of uranium. Uranium prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of uranium may be produced in the future, a profitable market will exist for them. As of June 30, 2008, the Corporation is not a uranium producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Corporation's liquidity and its ability to meet its ongoing obligations.

**(Expressed in Canadian Dollars)**

## 5. Property and equipment

| June 30, 2008 | Cost | Accumulated amortization | Net carrying value |
|---|---|---|---|
| **Guyana** | | | |
| Field equipment | $ 824,762 | $ 215,954 | $ 608,808 |
| Vehicles | 62,695 | 24,731 | 37,964 |
| Mobile and drilling equipment | 1,297,913 | 350,900 | 947,013 |
| Furniture and fixtures | 44,237 | 12,753 | 31,484 |
| | 2,229,607 | 604,338 | 1,625,269 |
| **Canada** | | | |
| Furniture and fixtures | 29,098 | 8,006 | 21,092 |
| | $ 2,258,705 | $ 612,344 | $ 1,646,361 |

| December 31, 2007 | Cost | Accumulated amortization | Net carrying value |
|---|---|---|---|
| **Guyana** | | | |
| Field equipment | $ 758,029 | $ 152,644 | $ 605,385 |
| Vehicles | 62,695 | 18,031 | 44,664 |
| Mobile and drilling equipment | 1,150,304 | 196,804 | 953,500 |
| Furniture and fixtures | 34,657 | 9,013 | 25,644 |
| | 2,005,685 | 376,492 | 1,629,193 |
| **Canada** | | | |
| Furniture and fixtures | 16,192 | 6,216 | 9,976 |
| | $ 2,021,877 | $ 382,708 | $ 1,639,169 |

## 6. Related party transaction

The Chief Financial Officer is a partner in a firm providing corporate secretarial and accounting services to U308. During the three and six months ended June 30, 2008, U308 expensed $10,734 and $20,885 (three and six months ended June 30, 2007 - $7,600 and $16,500) for services rendered by this firm. In addition, as at June 30, 2008, this firm was owed $3,815 (December 31, 2007 - $11,549) and this amount was included in accounts payable and accrued liabilities.

This transaction is in the normal course of operations and is measured at the exchange value (the amount established and agreed to by the related parties).

**(Expressed in Canadian Dollars)**

## 7. Stock options

The following table reflects the continuity of stock options for the six months ended June 30, 2008:

| | Number of Stock options | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2007 | 2,015,000 | 2.55 |
| Issued (1)(2)(3) | 610,000 | 0.91 |
| Forfeited | (775,000) | 2.50 |
| Balance, June 30, 2008 | 1,850,000 | 2.03 |

(1) On January 15, 2008, the Corporation granted an aggregate of 300,000 incentive stock options to a key employee, pursuant to the Corporation's Stock Option Plan, at an exercise price of $1.05 per share. The options are exercisable for a period of five years. For the purposes of the 300,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 101.80%; risk-free interest rate of 3.50% and an expected average life of 5 years. The estimated value of $241,500 will be recorded as a debit to the relevant expense category and credited to contributed surplus as the options vest. The options vest over thirty-six months as to one-third on January 15, 2009, one-third on January 15, 2010 and one-third on January 15, 2011. For the three and six months ended June 30, 2008, the impact on expenses was $36,896 and $61,494.

(2) On May 1, 2008, the Corporation granted an aggregate of 40,000 incentive stock options to an investor relations officer of the Corporation, pursuant to the Corporation's Stock Option Plan, at an exercise price of $0.65 per share. The options are exercisable for a period of five years. For the purposes of the 40,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 101.20%; risk-free interest rate of 2.99% and an expected average life of 5 years. The estimated value of $19,760 will be recorded as a debit to the relevant expense category and credited to contributed surplus as the options vest. The options vest in tranches of 25% at 6-monthly intervals from their date of issue as to one-quarter on November 1, 2008, one-quarter on May 1, 2009, one-quarter on November 1, 2009 and one-quarter on May 1, 2010. For the three and six months ended June 30, 2008, the impact on expenses was $3,430.

(3) On June 26, 2008, the Corporation granted an aggregate of 270,000 incentive stock options to employees of the Corporation, pursuant to the Corporation's Stock Option Plan, at an exercise price of $0.80 per share. The options are exercisable for a period of five years. For the purposes of the 270,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 101.40%; risk-free interest rate of 3.36% and an expected average life of 5 years. The estimated value of $169,830 will be recorded as a debit to the relevant expense category and credited to contributed surplus as the options vest. The options vest from their date of issue as to one-quarter immediately, one-quarter on December 26, 2008, one-quarter on June 26, 2009 and one-quarter on December 26, 2009. For the three and six months ended June 30, 2008, the impact on expenses was $42,458.

The weighted average grant date fair value of options granted during the six months ended June 30, 2008 was $0.71.

**(Expressed in Canadian Dollars)**

## 7. Stock options (continued)

The portion of the estimated fair value of options granted in the current and prior periods and vesting in the current period, which have been reflected in the statements of operating loss and comprehensive loss are as follows:

| | Three months ended June 30, 2008 | Three months ended June 30, 2007 | Six months ended June 30, 2008 | Six months ended June 30, 2007 |
|---|---|---|---|---|
| **Canada** | | | | |
| Directors' stock based compensation | **$ (28,830)** | $ 268,813 | **$ 3,897** | $ 586,907 |
| Management compensation | **(68,054)** | 37,404 | **(14,940)** | 81,657 |
| Investor relations | **14,814** | 23,374 | **17,151** | 51,035 |
| Professional fees | **1,167** | 7,013 | **2,568** | 15,311 |
| | **(80,903)** | 336,604 | **8,676** | 734,910 |
| **Guyana** | | | | |
| Exploration expenditures in Guyana | **60,845** | 136,130 | **72,542** | 371,436 |
| **Total** | **$ (20,058)** | $ 472,734 | **$ 81,218** | $ 1,106,346 |

For the six months ended June 30, 2008, the Corporation recognized stock-based compensation expense of $291,593 which was offset by a credit to operating loss of $210,375 in respect of unvested stock options forfeited by a former officer/director and current directors, resulting in a net expense of $81,218 (six months ended June 30, 2007 - $1,106,346).

For the three months ended June 30, 2008, the Corporation recognized stock-based compensation expense of $162,267 which was offset by a credit to operating loss of $182,325 in respect of unvested stock options forfeited by a former officer/director and current directors, resulting in a net credit of $20,058 (three months ended June 30, 2007 - $472,734 expense).

The following table reflects the actual stock options issued and outstanding as of June 30, 2008:

| Expiry Date | Exercise price ($) | Number of Options Outstanding | Number of Options Vested (Exercisable) | Number of Options Unvested |
|---|---|---|---|---|
| December 15, 2009 | 2.50 | 1,150,000 | 1,150,000 | - |
| March 6, 2010 | 3.63 | 90,000 | 67,500 | 22,500 |
| December 20, 2012 | 1.05 | 300,000 | - | 300,000 |
| April 30, 2013 | 0.65 | 40,000 | - | 40,000 |
| June 26, 2013 | 0.80 | 270,000 | 67,500 | 202,500 |
| | | 1,850,000 | 1,285,000 | 565,000 |

**(Expressed in Canadian Dollars)**

## 8. Share capital

On March 13, 2008, U3O8 announced that it has adopted a shareholder rights plan (the "Rights Plan"). The Rights Plan is designed to ensure the fair treatment of U3O8's shareholders in any transaction involving a change of control of the Corporation and will provide U3O8's board of directors and U308's shareholders with adequate time to evaluate any unsolicited take-over bid and, if appropriate, to seek out alternatives to maximize shareholder value. The TSX Venture Exchange has accepted notice of filing of the Rights Plan.

The Rights Plan is similar to other rights plans adopted by many Canadian corporations. Until the occurrence of certain specific events, the rights will trade with the shares of the Corporation and be represented by certificates representing the shares. The rights become exercisable only when a person, including any party related to it or acting jointly with it, acquires or announces its intention to acquire 20% or more of the outstanding shares of the Corporation without complying with the Permitted Bid provisions of the Rights Plan. Should a non-Permitted Bid be launched, each right would entitle each holder of shares (other than the acquiring person and persons related to it or acting jointly with it) to purchase additional shares of the Corporation at a 50% discount to the market price at the time.

It is not the intention of the Rights Plan to prevent take-over bids but to ensure their proper evaluation by the market. Under the Rights Plan, a Permitted Bid is a bid made to all shareholders for all of their shares on identical terms and conditions that is open for at least 60 days. If at the end of 60 days at least 50% of the outstanding shares, other than those owned by the offeror and certain related parties, have been tendered and not withdrawn, the offeror may take up and pay for the shares but must extend the bid for a further ten days to allow all other shareholders to tender.

## 9. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2008:

| | Number of Warrants | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2007 and June 30, 2008 | 568,300 | 2.50 |

The following table reflects the actual warrants outstanding as of June 30, 2008:

| Expiry Date | Number of warrants | Exercise price ($) | Fair Value ($) |
|---|---|---|---|
| December 27, 2008 | 568,300 | 2.50 | 711,512 |

## 10. Comparative information

Certain comparative figures have been reclassified to confirm with current period financial statement presentation.

**(Expressed in Canadian Dollars)**

## 11. Restricted cash

The Company has an outstanding letter of guarantee in the amount of $36,250 (December 31, 2007 - $nil) that is required under the Regulations prescribed by the GGMC for a Prospecting Licence issued to the Corporation on May 8, 2008.

## 12. Segmented information

The Corporation primarily operates in one reportable operating segment, being the development of properties for production of uranium in Guyana. The Corporation has administrative offices in Toronto, Canada. Segmented information on a geographic basis is as follows:

| June 30, 2008 | Cash and cash equivalents | Property, plant and equipment | Other assets | Total assets |
|---|---|---|---|---|
| Canada | $ 17,045,228 | $ 21,092 | $ 95,343 | $ 17,161,663 |
| Guyana | 373,766 | 1,625,269 | 59,945 | 2,058,980 |
| Barbados | 2,719 | - | - | 2,719 |
| | $ 17,421,713 | $ 1,646,361 | $ 155,288 | $ 19,223,362 |

| December 31, 2007 | Cash and cash equivalents | Property, plant and equipment | Other assets | Total assets |
|---|---|---|---|---|
| Canada | $ 22,070,978 | $ 9,976 | $ 78,120 | $ 22,159,074 |
| Guyana | 336,211 | 1,629,193 | 25,890 | 1,991,294 |
| Barbados | 107,856 | - | - | 107,856 |
| | $ 22,515,045 | $ 1,639,169 | $ 104,010 | $ 24,258,224 |