U3O8 CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED

JUNE 30, 2011

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

The **Uranium** Discovery Company

Management's Responsibility for Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of U3O8 Corp. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed 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 periods presented by, the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company 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 condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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

(signed)
Dr. Richard Spencer
President and Chief Executive Officer

(signed)
John Ross
Chief Financial Officer

Toronto, Canada
August 24, 2011

The Uranium Discovery Company

U3O8 CORP

U3O8 Corp.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at June 30, 2011	As at December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**$ 15,602,459**	$ 5,033,076
Accounts receivable and other assets (note 6)	**446,191**	191,807
Total current assets	**16,048,650**	5,224,883
Non-current assets		
Value-added taxes receivable	**487,810**	487,810
Restricted cash (note 5(a))	**95,797**	72,554
Property and equipment (note 4)	**1,204,183**	1,115,047
Equity accounted investment (note 14)	**716,648**	-
South American property interests	**9,583,652**	9,583,652
Total non-current assets	**12,088,090**	11,259,063
Total assets	**$ 28,136,740**	$ 16,483,946
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	**$ 1,340,174**	$ 939,234
Loan payable to South American Rare Earth Corp.	**176,843**	-
	1,517,017	939,234
Non-current liability		
Due to Mega Uranium Ltd.	**487,810**	487,810
	2,004,827	1,427,044
Capital and reserves		
Share capital (note 7)	**62,068,233**	48,564,060
Reserves	**12,392,450**	5,828,529
Deficit	**(48,328,770)**	(39,335,687)
Total equity	**26,131,913**	15,056,902
Total equity and liabilities	**$ 28,136,740**	$ 16,483,946

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

Approved by the Board of Directors:

"Bryan A. Coates" Director

"David Constable" Director

The Uranium Discovery Company

U3O8 CORP

U3O8 Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Expenses				
Exploration expenditures (note 11)	**$ 4,748,642**	$ 2,265,627	**$ 8,653,853**	$ 3,408,102
General and administrative (note 10)	**815,641**	839,574	**1,364,145**	1,227,574
Operating loss before the following items	**(5,564,283)**	(3,105,201)	**(10,017,998)**	(4,635,676)
Interest income	**60,615**	5,997	**72,077**	11,093
Foreign exchange loss	**(66,571)**	(4,427)	**(197,970)**	(41,815)
Gain on sale of investment in Gaia	**1,552,142**	-	**1,552,142**	-
Share of losses from equity accounted investment (note 14)	**(401,334)**	-	**(401,334)**	-
Net loss and comprehensive loss	**$ (4,419,431)**	$ (3,103,631)	**$ (8,993,083)**	$ (4,666,398)
Basic and Diluted net loss per share (note 9)	**$ (0.04)**	$ (0.06)	**$ (0.09)**	$ (0.13)
Weighted average number of common shares outstanding	**102,676,658**	51,194,117	**96,329,934**	37,125,909

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

The **Uranium** Discovery Company

U3O8 Corp.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended June 30, 2011	2010
Operating activities		
Net loss	**$ (8,993,083)**	$ (4,666,398)
Adjustment for:		
Amortization	**149,841**	157,177
Share-based payments (note 8)	**596,353**	448,581
Foreign exchange loss	**197,970**	41,815
Interest income	**(72,077)**	(11,093)
South American expenditures paid by Mega Uranium Ltd.	**-**	242,570
Share of gain from equity accounted investment (note 14)	**(716,647)**	-
Non-cash working capital items:		
Value-added taxes receivable	**-**	(45,020)
Accounts receivable and other assets	**(254,384)**	(29,527)
Accounts payable and accrued liabilities	**400,939**	133,866
Loan payable to South American Rare Earth Corp. (note 14)	**176,843**	-
Net cash used in operating activities	**(8,514,245)**	(3,728,029)
Financing activities		
Issue of securities, net of transaction costs (note 7(ii))	**19,180,153**	-
Exercise of stock options	**41,838**	-
Exercise of warrants	**249,750**	-
Net cash provided by financing activities	**19,471,741**	-
Investing activities		
Redemption of guaranteed investment certificates	**-**	1,591,664
Cash acquired on acquisition of South American interests, net of transaction costs	**-**	3,587,947
Additions to property and equipment	**(238,977)**	(59,453)
Interest income	**72,077**	11,093
Net cash (used in) provided by investing activities	**(166,900)**	5,131,251
Effect of exchange rate changes on cash held in foreign currencies	**(197,970)**	(41,815)
Net change in cash and cash equivalents	**10,592,626**	1,361,407
Cash and cash equivalents and restricted cash, beginning of period	**5,105,630**	658,656
Cash and cash equivalents and restricted cash, end of period	**$ 15,698,256**	$ 2,020,063

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

The Uranium Discovery Company

U3O8 CORP

U3O8 Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital	Share-based payments reserve	Warrants	Deficit	Total
Balance, December 31, 2009	**$ 30,197,967**	**$ 3,386,410**	**$ -**	**$ (27,453,660)**	**$ 6,130,717**
Acquisition of South American interests	13,138,889	-	-	-	13,138,889
Share-based payments	-	448,581	-	-	448,581
Loss and comprehensive loss for the period	-	-	-	(4,666,398)	(4,666,398)
Balance, June 30, 2010	**$ 43,336,856**	**$ 3,834,991**	**$ -**	**$ (32,120,058)**	**$ 15,051,789**
Issue of securities, net of transaction costs	5,040,969	-	1,658,050	-	6,699,019
Stock options exercised	186,235	(77,735)	-	-	108,500
Share-based payments	-	413,223	-	-	413,223
Loss and comprehensive loss for the period	-	-	-	(7,215,629)	(7,215,629)
Balance, December 31, 2010	**$ 48,564,060**	**$ 4,170,479**	**$ 1,658,050**	**$ (39,335,687)**	**$ 15,056,902**
Issue of securities, net of transaction costs (note 7(ii))	13,111,640	-	6,068,513	-	19,180,153
Warrants exercised	319,285	-	(69,535)	-	249,750
Stock options exercised	73,248	(31,410)	-	-	41,838
Share-based payments (note 8)	-	596,353	-	-	596,353
Loss and comprehensive loss for the period	-	-	-	(8,993,083)	(8,993,083)
Balance, June 30, 2011	**$ 62,068,233**	**$ 4,735,422**	**$ 7,657,028**	**$ (48,328,770)**	**$ 26,131,913**

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

The Uranium Discovery Company

U3O8 CORP

1. Nature of operations

U3O8 Corp. (the "Company") is a Canadian exploration company focused on exploration for and resource expansion of, uranium and related minerals in South America. It was incorporated by articles of incorporation dated December 6, 2005 under the Business Corporations Act (Ontario). The Company's common shares are listed on the TSX Venture Exchange under the symbol UWE.

2. Basis of presentation

U3O8 Corp. is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and property acquisition activities. The Company has incurred a loss in the current and prior periods, with a net loss for the six months ended June 30, 2011 of $8,993,083 and has an accumulated deficit of $48,328,770. Results for the six months ended June 30, 2011 are not necessarily indicative of future results. In addition, the Company had a working capital balance of $14,708,476 at June 30, 2011. During the six months ended June 30, 2011, the Company raised gross proceeds of approximately $20.5 million (note 7(ii)), which will finance planned spending over the next twelve months. Further financing will be required for operations beyond the next 12 months. While there is no assurance these funds can be raised, the Company believes such financing will be available as required. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

3. Significant accounting policies

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, these unaudited condensed interim consolidated financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year end reporting purposes.

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied by the Company in its most recent annual financial statements as at and for the year ended December 31, 2010 except for the following:

Equity investment in associate

Since April 2011, the Company has significant influence on South American Rare Earth Corp. ("SAREC"), but does not have control; this investment is accounted for using the equity method. Under the equity method the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of post acquisition income or loss. The amount of adjustment is included in the determination of net income or loss of the Company, and the investment account of the Company is also increased or decreased to reflect the Company's share of capital transactions and changes in accounting policies. The carrying values of equity investments are regularly reviewed to ensure there is no impairment. When there is a loss in value other than a temporary decline, the investment is written down to recognize the loss. The accounting policies of an associate are changed where necessary to align with the accounting policy of the Company.

3. Significant accounting policies (continued)

(b) Future accounting changes (continued)

International Financial Reporting Standard 9, Financial Instruments (IFRS 9)

Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

The Company has not yet assessed the impact of the standard.

International Financial Reporting Standards 10, Consolidation (IFRS 10)

Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

International Financial Reporting Standard 11, Joint Arrangements (IFRS 11)

Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has not yet assessed the impact of the standards or determined whether it will adopt the standard early.

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities (IFRS 12)

Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

3. Significant accounting policies (continued)

(b) Future accounting changes

International Financial Reporting Standard 13, Fair Value Measurement (IFRS 13)

Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs.

The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

International Accounting Standard 28, Investments in Associates and Joint Ventures (IAS 28)

In addition, there have been amendments to existing standards, including IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 11 – 13 which are discussed above.

The Company will assess the impact of the amendment in conjunction with assessments made for IFRS 11 -13.

International Accounting Standard 1, Presentation of financial statements ("IAS 1")

Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

The Company will assess the impact of the amendment.

(Expressed in Canadian Dollars)

4. Property and equipment

COST

	Mobile and drilling equipment	Field equipment	Vehicles	Furniture and fixtures	Total
Balance, December 31, 2010	$ 1,408,872	$ 1,093,766	$ 62,695	$ 110,691	$ 2,676,024
Additions	13,434	220,606	-	4,937	238,977
Balance, June 30, 2011	$ 1,422,306	$ 1,314,372	$ 62,695	$ 115,628	$ 2,915,001

ACCUMULATED DEPRECIATION

	Mobile and drilling equipment	Field equipment	Vehicles	Furniture and fixtures	Total
Balance, December 31, 2010	$ 944,045	$ 517,379	$ 47,376	$ 52,177	$ 1,560,977
Depreciation for the period	70,732	69,105	2,298	7,706	149,841
Balance, June 30, 2011	$ 1,014,777	$ 586,484	$ 49,674	$ 59,883	$ 1,710,818

CARRYING AMOUNTS

	Mobile and drilling equipment	Field equipment	Vehicles	Furniture and fixtures	Total
At December 31, 2010	$ 464,827	$ 576,387	$ 15,319	$ 58,514	$ 1,115,047
At June 30, 2011	$ 407,529	$ 727,888	$ 13,021	$ 55,745	$ 1,204,183

5. Cash position

	As at June 30, 2011	As at December 31, 2010
Cash	$ 1,763,743	$ 5,013,076
Cash equivalents	13,838,716	20,000
Cash and cash equivalents	15,602,459	5,033,076
Restricted cash (a)	95,797	72,554
Total Cash position	$ 15,698,256	$ 5,105,630

(a) As at June 30, 2011, the Company had entered into several letters of guarantee in the amount of $91,049 (December 31, 2010 - $67,633) with respect to regulations for all Prospecting Licences issued to the Company in Guyana.

In addition, the Company had a letter of guarantee totaling $4,748 (December 31, 2010 - $4,921) that is required by the Company for exploration activities in Guyana.

(Expressed in Canadian Dollars)

6. Accounts receivable and other assets

		As at June 30, 2011		As at December 31, 2010
Sales tax receivable - (Canada)	$	113,601	$	35,231
Deposits with service providers		332,590		156,576
	$	446,191	$	191,807

7. Share capital

a) Authorized share capital

At June 30, 2011, the authorized share capital consisted of an unlimited number of common shares.

The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At June 30, 2011, the issued share capital amounted to $62,068,233. The change in issued share capital for the periods was as follows:

	Number of common shares	Amount
Balance, December 31, 2010 (i)	77,891,658	$ 48,564,060
Issue of securities, net of transaction costs (ii)	24,150,000	13,111,640
Stock options exercised	80,000	73,248
Warrants exercised	555,000	319,285
Balance, June 30, 2011	102,676,658	$ 62,068,233

(i) On February 17, 2011, U3O8 Corp. announced that it had renewed its current shareholder rights plan, which was due to expire on March 4, 2011. The rights plan was approved by the holders of U3O8 Corp's common shares at the Company's 2011 annual meeting on June 29, 2011.

7. Share capital (continued)

(ii) On February 15, 2011, U3O8 Corp. announced that it had completed its private placement (the "Offering") of 24,150,000 Units (the "Units") at a price of $0.85 per Unit for aggregate gross proceeds to the Company of $20,527,500, including the exercise of the full underwriters' option of $2,677,500.

Each Unit consists of one common share in the capital of the Company (each a "Common Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share (a "Warrant Share") at a price of $1.00 per Warrant Share (the "Exercise Price") for a period of two years following the closing of the Offering. The Offering was conducted by a syndicate of underwriters led by GMP Securities L.P. and included Dundee Securities Corporation, PowerOne Capital Markets Ltd. and Haywood Securities Inc. (collectively, the "Underwriters").

In consideration for their services, the Company paid a cash commission to the Underwriters equal to 6.0% of the gross proceeds from the sale of the Units, except on the Units sold to certain persons on the president's list prepared by the Company for which the commission paid was equal to 3.0%. As additional compensation, the Company issued to the Underwriters broker warrants which entitle the Underwriters to subscribe for that number of Units equal to 6.0% of the total number of Units sold pursuant to the Offering, except for the Units subscribed for by certain persons on the president's list for which the Company issued broker warrants entitling the Underwriters to subscribe for that number of Units equal to 3.0% of the total number of Units sold pursuant to the Offering. Each broker warrant is exercisable to acquire one Unit of the Company at a price equal to $0.85 for a period of 24 months after the closing date.

A value of $5,747,004 was estimated for the 12,075,000 warrants on the date of grant using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 101%; risk-free interest rate of 1.81%; and an expected average life of 2 years.

A value of $970,401 was estimated for the 1,378,048 broker warrants 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; risk-free interest rate of 1.81%; and an expected average life of 2 years. This value charged $698,721 to share capital and $271,680 to warrants as transaction costs.

Total share issue costs of $1,347,347 were charged and allocated $970,135 to share capital and $377,212 to warrants.

The broker warrants issued in the February 2011 financing contain a further half warrant which is exercisable over the term of the broker warrant. Each additional full warrant allows the broker to purchase one common share at a price of $1.00 per warrant share. A total of 689,205 warrants will be issued at $1.00 if these broker warrants are exercised.

(Expressed in Canadian Dollars)

8. Stock options

The following table reflects the continuity of stock options for the period ended June 30, 2011:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2010	4,326,250	0.48
Exercised	(80,000)	0.52
Granted	2,645,000	0.50
Balance, June 30, 2011	6,891,250	0.49

The portion of the estimated fair value of options granted in prior periods and vesting during the six months ended June 30, 2011 and 2010, which have been reflected in the consolidated statements of comprehensive loss are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Canada				
Salaries and benefits	**$ 207,470**	$ 297,063	**$ 255,399**	$ 321,739
Guyana, South America				
Salaries and benefits	**50,573**	30,021	**59,029**	40,733
Colombia, South America				
Salaries and benefits	**103,037**	68,887	**180,509**	68,887
Argentina, South America				
Salaries and benefits	**82,047**	17,222	**101,416**	17,222
Total	**$ 443,127**	$ 413,193	**$ 596,353**	$ 448,581

(Expressed in Canadian Dollars)

8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2011:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
December 20, 2012	1.05	1.47	300,000	300,000	-
April 30, 2013	0.65	1.83	40,000	40,000	-
June 26, 2013	0.80	1.99	226,250	226,250	-
September 8, 2014	0.35	3.19	417,500	417,500	-
May 4, 2015	0.41	3.84	2,882,500	2,110,000	772,500
June 4, 2015	0.24	3.93	150,000	112,500	37,500
November 25, 2015	0.73	4.40	230,000	107,500	122,500
May 9, 2016 [a]	0.50	4.86	2,445,000	611,250	1,833,750
May 25, 2016 [b]	0.45	4.90	200,000	50,000	150,000
		4.04	6,891,250	3,975,000	2,916,250

[a] The Company granted 2,445,000 stock options to employees, officers, directors and consultants pursuant to the Company's stock option plan. The stock options were issued at an exercise price of $0.50 and will expire on May 9, 2016. For the purposes of the 2,445,000 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 114%; risk-free interest rate of 2.20%; and an expected average life of three years. The estimated value of $841,080 will be recorded as a debit to salaries and benefits and a credit to share-based payment reserve as the options vest. The options vest as to 25% immediately, 25% on November 9, 2011, 25% on May 9, 2012 and 25% on November 9, 2012. For the three and six months ended June 30, 2011, the impact on expenses was $338,768.

[b] The Company granted 200,000 stock options to a director pursuant to the Company's stock option plan at an exercise price of $0.45 per share. The options expire on May 25, 2016. For the purposes of the 200,000 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 114%; risk-free interest rate of 2.10%; and an expected average life of three years. The estimated value of $61,800 will be recorded as a debit to salaries and benefits and a credit to share-based payment reserve as the options vest. The options vest as to 25% immediately, 25% on November 25, 2011, 25% on May 25, 2012 and 25% on November 25, 2012. For the three and six months ended June 30, 2011, the impact on expenses was $24,892.

9. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2011 was based on the loss attributable to common shareholders of $4,419,431 and $8,993,083, respectively (three and six months ended June 30, 2010 – $3,103,631 and $4,666,398, respectively) and the weighted average number of common shares outstanding of 102,676,658 and 96,329,934, respectively (three and six months ended June 30, 2010 – 51,194,117 and 37,125,909, respectively). Diluted loss per share did not include the effect of 6,891,250 share purchase options and 26,132,303 warrants as they are anti-dilutive.

(Expressed in Canadian Dollars)

10. General and administrative

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Salaries and benefits	**$ 387,505**	$ 484,539	**$ 622,855**	$ 661,302
Administrative and general	**67,685**	21,425	**128,613**	86,670
Professional fees	**172,774**	136,413	**290,068**	197,197
Business development	**102,467**	80,262	**196,240**	139,735
Reporting issuer costs	**84,452**	101,574	**122,883**	115,620
Consulting	**-**	14,175	**-**	24,675
Amortization	**758**	1,186	**3,486**	2,375
	$ 815,641	$ 839,574	**$ 1,364,145**	$ 1,227,574

11. Exploration expenditures

The Company enters into exploration agreements or permits with other companies or foreign governments pursuant to which it may explore, or earn interests in mineral properties by issuing common shares and/or making option or rental payments and/or incurring expenditures in varying amounts by varying dates. Failure by the Company to meet such requirements can result in a reduction or loss of the Company's ownership interests or entitlements under the agreements or permits.

The following is a detailed list of expenditures incurred on the Company's mineral properties:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Guyana, South America (a)				
Exploration activities	**$ 687,093**	$ 655,345	**$ 1,449,529**	$ 1,400,830
Salaries and benefits	**315,425**	326,137	**577,817**	650,791
Amortization	**56,904**	73,447	**112,147**	145,783
	$ 1,059,422	$ 1,054,929	**$ 2,139,493**	$ 2,197,404
Colombia, South America (b)				
Exploration activities	**$ 1,750,463**	$ 348,426	**$ 3,211,910**	$ 348,426
Salaries and benefits	**614,187**	207,817	**1,050,431**	207,817
Amortization	**18,107**	7,420	**28,597**	7,420
	$ 2,382,757	$ 563,663	**$ 4,290,938**	$ 563,663
Argentina, South America (c)(d)				
Exploration activities	**$ 1,124,353**	$ 582,899	**$ 1,944,091**	$ 582,899
Salaries and benefits	**179,305**	62,537	**273,720**	62,537
Amortization	**2,805**	1,599	**5,611**	1,599
	$ 1,306,463	$ 647,035	**$ 2,223,422**	$ 647,035
	$ 4,748,642	$ 2,265,627	**$ 8,653,853**	$ 3,408,102

(Expressed in Canadian Dollars)

11. Exploration expenditures (continued)

(a) Total cumulative exploration activities incurred in Guyana, South America to June 30, 2011 amounted to $27,857,969 (December 31, 2010 - $25,718,476)

(b) Total cumulative exploration activities incurred in Colombia, South America to June 30, 2011 amounted to $7,077,050 (December 31, 2010 - $2,786,112). Included in exploration activities is an amount of $615,584 for taxes, the majority of which relates to an equity tax assessed as of January 1, 2011.

(c) Total cumulative exploration activities incurred in Argentina, South America to June 30, 2011 amounted to $4,992,277 (December 31, 2010 - $2,768,855).

(d) On March 7, 2011, U3O8 Corp. announced the transfer of its Jasimampa rare earth property in Santiago del Estero Province, Argentina, into a new rare earth focused subsidiary, South American Rare Earth Corp. ("SAREC"). In Q2 2011, U3O8 Corp. received US$450,000 an approximate 20% interest in the initial capitalization of SAREC and a 2% NSR on any production from the Jasimampa property.

12. Warrants

	Number of warrants	Grant date fair value ($)
Balance, December 31, 2010	13,233,892	1,658,050
Granted	13,453,411	6,068,513
Exercised	(555,000)	(69,535)
Balance, June 30, 2011	26,132,303	7,657,028

The following table reflects the actual warrants issued and outstanding as of June 30, 2011:

Expiry date	Exercise price ($)	Warrants outstanding
October 14, 2012	0.45	12,678,892
February 15, 2013	1.00	13,453,411
		26,132,303

(Expressed in Canadian Dollars)

13. Related party balances and transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) U3O8 Corp. entered into the following transactions with related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Marrelli CFO Outsource Syndicate Inc. ("Marrelli") (i)	$ -	$ 10,500	$ -	$ 21,000
Marrelli Support Services Inc. ("MSSI") (ii)	-	6,022	-	16,636
John Ross (iii)	15,000	3,675	30,000	3,675
	$ 15,000	$ 20,197	$ 30,000	$ 41,311

(i) The former Chief Financial Officer ("CFO") of U3O8 Corp. is the president of Marrelli. Fees related to the CFO function performed to June 30, 2010. Effective July 1, 2010, Marrelli was no longer a related party.

(ii) The former CFO of U3O8 Corp. is the president of MSSI. Fees related to accounting services provided by MSSI. Effective July 1, 2010, MSSI was no longer a related party.

(iii) CFO fees expensed to the current CFO of the Company. $5,650 is included in accounts payable and accrued liabilities.

(b) Remuneration of Directors and key management personnel of the Company was as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Salaries and benefits (*)	$ 85,391	$ 82,434	$ 167,825	$ 159,651
Share based payments	179,213	258,822	247,763	279,706
	$ 264,604	$ 341,256	$ 415,588	$ 439,357

(*) Included in salaries and benefits are Director fees. The Board of Directors do not have employment or service contracts with the Company. They are entitled to director fees and stock options for their services.

(Expressed in Canadian Dollars)

14. Equity accounted investment

The Company has acquired an 19.9% equity interest in SAREC, which is a private company. The Company has significant influence over SAREC and is accounting for the investment on an equity basis. The shares were initially valued at $1,117,982 based on comparable prices received in the private placement completed in the second quarter of 2011.

In Q2 2011, SAREC issued 2.5 million common shares to acquire two early-stage prospective rare earth prospects in northwestern Ontario. The result of the transaction diluted the Company's ownership in SAREC to 18.2%. A dilution loss amounting to $280,444 is recorded in the statement of operations and reduces the Company's investment.

During the three-month period ended June 30, 2011, the Company's share of SAREC losses amounting to $120,890 is recorded in the statement of operations and reduces the Company's investment.

A Continuity of the Company's investment in SAREC is as follows:

	SAREC Investment
Equity investment	$ 1,117,982
Dilution loss	(280,444)
Share of losses of SAREC	(120,890)
Balance June 30, 2011	$ 716,648

15. Segmented information

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

June 30, 2011

	Canada	Guyana	Barbados	Colombia	Argentina	Total
Current assets	$ 15,039,232	$ 368,018	$ 134,583	$ 331,183	$ 175,634	$ 16,048,650
Non-current assets	737,880	899,379	-	7,611,257	2,839,574	12,088,090
	$ 15,777,112	$ 1,267,397	$ 134,583	$ 7,942,440	$ 3,015,208	$ 28,136,740

December 31, 2010

	Canada	Guyana	Barbados	Colombia	Argentina	Total
Current assets	$ 4,576,222	$ 248,879	$ 35,645	$ 248,334	$ 115,803	$ 5,224,883
Non-current assets	16,838	943,521	-	7,851,835	2,446,869	11,259,063
	$ 4,593,060	$ 1,192,400	$ 35,645	$ 8,100,169	$ 2,562,672	$ 16,483,946

16. Subsequent event

On August 24, 2011, in association with the appointments of a Vice President of Exploration, Executive Vice President and Chief Operating Officer, an aggregate of 370,000 stock options have been granted pursuant to the Company’s stock option plan at an exercise price of $0.26 per share. The options will expire on August 24, 2016.