
U308 CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2011
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

The Uranium Discovery Company

U308 CORP

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
November 23, 2011

The Uranium Discovery Company

U3O8 CORP

U308 Corp.

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

	As at September 30, 2011	As at December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	\$ 10,615,325	\$ 5,033,076
Accounts receivable and other assets (note 6)	331,618	191,807
Loan receivable from South American Rare Earth Corp.	12,473	-
Total current assets	10,959,416	5,224,883
Non-current assets		
Value-added taxes receivable	487,810	487,810
Restricted cash (note 5(a))	103,970	72,554
Property and equipment (note 4)	1,196,950	1,115,047
Equity accounted investment (note 14)	539,294	-
South American property interests	9,583,652	9,583,652
Total non-current assets	11,911,676	11,259,063
Total assets	\$ 22,871,092	\$ 16,483,946
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	\$ 1,442,013	\$ 939,234
Non-current liability		
Due to Mega Uranium Ltd.	487,810	487,810
	1,929,823	1,427,044
Capital and reserves		
Share capital (note 7)	62,068,233	48,564,060
Reserves	12,670,345	5,828,529
Deficit	(53,797,309)	(39,335,687)
Total equity	20,941,269	15,056,902
Total equity and liabilities	\$ 22,871,092	\$ 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

U308 CORP

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Expenses				
Exploration expenditures (note 11)	\$ 4,741,957	\$ 2,449,235	\$ 13,395,810	\$ 5,857,337
General and administrative (note 10)	673,717	389,072	2,037,862	1,616,646
Operating loss before the following items	(5,415,674)	(2,838,307)	(15,433,672)	(7,473,983)
Interest income	21,157	4,164	93,234	15,257
Foreign exchange gain (loss)	103,332	(39,189)	(94,638)	(81,004)
Gain on sale of investment in Gaia	-	-	1,552,142	-
Share of losses from equity accounted investment (note 14)	(177,354)	-	(578,688)	-
Net loss and comprehensive loss	\$ (5,468,539)	\$ (2,873,332)	\$ (14,461,622)	\$ (7,539,730)
Basic and Diluted net loss per share (note 9)	\$ (0.05)	\$ (0.05)	\$ (0.15)	\$ (0.18)
Weighted average number of common shares outstanding	102,676,658	53,622,558	98,468,757	42,708,531

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

The Uranium Discovery Company

U308 CORP

U308 Corp.

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

Nine Months Ended
September 30,
2011 2010

Operating activities

Net loss	\$ (14,461,622)	\$ (7,539,730)
Adjustment for:		
Amortization	230,392	238,366
Share-based payments (note 8)	874,248	672,351
Foreign exchange loss	94,638	81,004
Interest income	(93,234)	(15,257)
Share of gain from equity accounted investment (note 14)	(539,294)	-
Non-cash working capital items:		
Value-added taxes receivable	-	(120,445)
Accounts receivable and other assets	(139,811)	2,618
Amounts payable and other liabilities	502,779	152,303
Loan receivable from South American Rare Earth Corp. (note 14)	(12,473)	-
Net cash used in operating activities	(13,544,377)	(6,528,790)

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	-
South American expenditures paid by Mega Uranium Ltd.	-	242,570
Repayment of Mega Uranium Ltd.	-	(242,570)
Net cash provided by financing activities	19,471,741	-

Investing activities

Redemption of guaranteed investment certificates	-	4,010,060
Cash acquired on acquisition of South American interests, net of transaction costs	-	3,587,947
Additions to property and equipment	(312,295)	(92,014)
Interest income	93,234	15,257
Net cash (used in) provided by investing activities	(219,061)	7,521,250
Effect of exchange rate changes on cash held in foreign currencies	(94,638)	(81,004)

Net change in cash and cash equivalents	5,613,665	911,456
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	\$ 10,719,295	\$ 1,570,112

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

The Uranium Discovery Company

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U308 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	-	672,351	-	-	672,351
Loss and comprehensive loss for the period	-	-	-	(7,539,730)	(7,539,730)
Balance, September 30, 2010	\$ 43,336,856	\$ 4,058,761	\$ -	\$(34,993,390)	\$ 12,402,227
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	-	189,453	-	-	189,453
Loss and comprehensive loss for the period	-	-	-	(4,342,297)	(4,342,297)
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)	-	874,248	-	-	874,248
Loss and comprehensive loss for the period	-	-	-	(14,461,622)	(14,461,622)
Balance, September 30, 2011	\$ 62,068,233	\$ 5,013,317	\$ 7,657,028	\$(53,797,309)	\$ 20,941,269

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

The Uranium Discovery Company

U308 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations

U308 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

U308 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 nine months ended September 30, 2011 of \$14,461,622 and has an accumulated deficit of \$53,797,309. Results for the nine months ended September 30, 2011 are not necessarily indicative of future results. In addition, the Company had a working capital balance of \$9,517,403 at September 30, 2011. On February 15, 2011, the Company raised gross proceeds of \$20.5 million (note 7(ii)) to finance planned expenditures for the next twelve months. Further financing beyond this level of cash will be required to develop the properties, which is typical for junior exploration companies. 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 and methods 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.

The Uranium Discovery Company

U308 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

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 International Accounting Standards Board has proposed to move the effective date of IFRS 9 to January 1, 2015.

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.

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U308 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant accounting policies (continued)

(b) *Future accounting changes (continued)*

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.

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Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant accounting policies (continued)

(b) *Future accounting changes (continued)*

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine, ("IFRIC 20")

On October 19, 2011, the IFRS Interpretation Committee published IFRIC 20 that applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. It provides guidance on when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not completed its assessment of the impact of these pronouncements on its consolidated results, financial position or cash flows.

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	288,469	-	10,392	312,295
Balance, September 30, 2011	\$ 1,422,306	\$ 1,382,235	\$ 62,695	\$ 121,083	\$ 2,988,319

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	106,097	110,124	3,449	10,722	230,392
Balance, September 30, 2011	\$ 1,050,142	\$ 627,503	\$ 50,825	\$ 62,899	\$ 1,791,369

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 September 30, 2011	\$ 372,164	\$ 754,732	\$ 11,870	\$ 58,184	\$ 1,196,950

The Uranium Discovery Company

U308 CORP

U308 Corp.**Notes to Condensed Interim Consolidated Financial Statements****September 30, 2011****(Expressed in Canadian Dollars)****(Unaudited)**

5. Cash position

	As at September 30, 2011	As at December 31, 2010
Cash	\$ 2,009,264	\$ 5,013,076
Cash equivalents	8,606,061	20,000
Cash and cash equivalents	10,615,325	5,033,076
Restricted cash (a)	103,970	72,554
Total Cash position	\$ 10,719,295	\$ 5,105,630

(a) As at September 30, 2011, the Company had entered into several letters of guarantee in the amount of \$98,950 (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 \$5,020 (December 31, 2010 - \$4,921) that is required by the Company for exploration activities in Guyana.

6. Accounts receivable and other assets

	As at September 30, 2011	As at December 31, 2010
Sales tax receivable - (Canada)	\$ 42,800	\$ 35,231
Deposits with service providers	288,818	156,576
	\$ 331,618	\$ 191,807

The Uranium Discovery Company

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U3O8 Corp.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

7. Share capital

a) Authorized share capital

At September 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 September 30, 2011, the issued share capital amounted to \$62,068,233. The change in issued share capital for the period 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, September 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.

(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.

The Uranium Discovery Company

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Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

7. Share capital (continued)

b) Common shares issued (continued)

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.

8. Stock options

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

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2010	4,326,250	0.48
Exercised	(80,000)	0.52
Cancelled	(170,000)	0.41
Granted	3,015,000	0.47
Balance, September 30, 2011	7,091,250	0.49

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Canada				
Salaries and benefits	\$ 89,587	\$ 5,733	\$ 344,986	\$ 327,472
Guyana, South America				
Salaries and benefits	45,291	36,781	104,320	77,514
Colombia, South America				
Salaries and benefits	79,629	145,005	260,138	213,892
Argentina, South America				
Salaries and benefits	63,388	36,251	164,804	53,473
Total	\$ 277,895	\$ 223,770	\$ 874,248	\$ 672,351

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Notes to Condensed Interim Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited)

8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 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	1.22	300,000	300,000	-
April 30, 2013	0.65	1.58	40,000	40,000	-
June 26, 2013	0.80	1.74	221,250	221,250	-
September 8, 2014	0.35	2.94	367,500	367,500	-
May 4, 2015	0.41	3.59	2,777,500	2,031,250	746,250
June 4, 2015	0.24	3.68	150,000	112,500	37,500
November 25, 2015	0.73	4.15	230,000	107,500	122,500
May 9, 2016 ^(a)	0.50	4.61	2,435,000	608,750	1,826,250
May 25, 2016 ^(b)	0.45	4.65	200,000	50,000	150,000
August 24, 2016 ^(c)	0.26	4.90	370,000	92,500	277,500
		3.86	7,091,250	3,931,250	3,160,000

^(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 nine months ended September 30, 2011, the impact on expenses was \$191,457 and \$530,225, respectively. Of the options granted, 2,435,000 remained outstanding at September 30, 2011.

^(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 nine months ended September 30, 2011, the impact on expenses was \$14,163 and \$39,055, respectively. Of the options granted, 200,000 remained outstanding at September 30, 2011.

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8. Stock options (continued)

(c) 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. For the purposes of the 370,000 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 1.04%; and an expected average life of three years. The estimated value of \$65,490 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 February 24, 2012, 25% on August 24, 2012 and 25% on February 24, 2013. For the three and nine months ended September 30, 2011, the impact on expenses was \$26,378. Of the options granted, 370,000 remained outstanding at September 30, 2011.

9. Net loss per share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2011 was based on the loss attributable to common shareholders of \$5,468,539 and \$14,461,622, respectively (three and nine months ended September 30, 2010 – \$2,873,332 and \$7,539,730, respectively) and the weighted average number of common shares outstanding of 102,676,658 and 98,468,757, respectively (three and nine months ended September 30, 2010 – 53,622,558 and 42,708,531, respectively). Diluted loss per share did not include the effect of 7,091,250 share purchase options and 26,132,303 warrants as they are anti-dilutive.

10. General and administrative

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Salaries and benefits	\$ 270,346	\$ 208,217	\$ 893,201	\$ 869,519
Administrative and general	66,564	45,290	195,177	131,960
Professional fees	244,410	74,910	534,478	272,107
Business development	72,694	25,141	268,934	164,876
Reporting issuer costs	19,459	16,356	142,342	131,976
Consulting	-	18,025	-	42,700
Amortization	244	1,133	3,730	3,508
	\$ 673,717	\$ 389,072	\$ 2,037,862	\$ 1,616,646

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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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Guyana, South America (a)				
Exploration activities	\$ 983,803	\$ 553,529	\$ 2,433,332	\$ 1,954,359
Salaries and benefits	354,451	307,534	932,268	958,325
Amortization	56,282	73,694	168,429	219,477
	\$ 1,394,536	\$ 934,757	\$ 3,534,029	\$ 3,132,161
Colombia, South America (b)				
Exploration activities	\$ 1,609,726	\$ 359,711	\$ 4,821,636	\$ 708,137
Salaries and benefits	580,441	349,116	1,630,872	556,933
Amortization	19,481	4,434	48,078	11,854
	\$ 2,209,648	\$ 713,261	\$ 6,500,586	\$ 1,276,924
Argentina, South America (c)(d)				
Exploration activities	\$ 1,012,538	\$ 715,900	\$ 2,956,629	\$ 1,298,799
Salaries and benefits	120,691	83,389	394,411	145,926
Amortization	4,544	1,928	10,155	3,527
	\$ 1,137,773	\$ 801,217	\$ 3,361,195	\$ 1,448,252
	\$ 4,741,957	\$ 2,449,235	\$ 13,395,810	\$ 5,857,337

(a) Total cumulative exploration activities incurred in Guyana, South America to September 30, 2011 amounted to \$29,252,505 (December 31, 2010 - \$25,718,476)

(b) Total cumulative exploration activities incurred in Colombia, South America to September 30, 2011 amounted to \$9,286,698 (December 31, 2010 - \$2,786,112). Included in exploration activities is an amount of \$642,210 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 September 30, 2011 amounted to \$6,130,050 (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"). 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.

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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, September 30, 2011	26,132,303	7,657,028

The following table reflects the actual warrants issued and outstanding as of September 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

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Marrelli CFO Outsource Syndicate Inc. ("Marrelli") (i)	\$ -	\$ -	\$ -	\$ 21,000
Marrelli Support Services Inc. ("MSSI") (ii)	-	-	-	16,636
John Ross (iii)	15,000	11,025	45,000	14,700
	\$ 15,000	\$ 11,025	\$ 45,000	\$ 52,336

(i) The former Chief Financial Officer ("CFO") of U3O8 Corp. is the president of Marrelli. Fees related to the CFO function performed to September 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.

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13. Related party balances and transactions (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Salaries and benefits (*)	\$ 82,978	\$ 84,934	\$ 250,803	\$ 244,585
Share based payments	221,089	10,009	468,852	289,715
	\$ 304,067	\$ 94,943	\$ 719,655	\$ 534,300

(*) 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.

14. Equity accounted investment

The Company has acquired an 19.9% equity interest on April 13, 2011 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 was recorded in the statement of operations and reduces the Company's investment.

During the three and nine month periods ended September 30, 2011, the Company's share of SAREC losses amounting to \$177,354 and \$298,244, were 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	(298,244)
Balance September 30, 2011	\$ 539,294

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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:

September 30, 2011

	Canada	Guyana	Barbados	Colombia	Argentina	Total
Current assets	\$ 9,338,368	\$ 476,148	\$ 167,084	\$ 662,110	\$ 315,706	\$ 10,959,416
Non-current assets	560,582	859,582	-	7,634,116	2,857,396	11,911,676
	\$ 9,898,950	\$ 1,335,730	\$ 167,084	\$ 8,296,226	\$ 3,173,102	\$ 22,871,092

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

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