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**U308 CORP.**  
**CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2012**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

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

	As at March 31, 2012	As at December 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	\$ 13,299,524	\$ 5,747,539
Amounts receivable and other assets (note 6)	595,952	384,375
Loan receivable from South American Rare Earth Corp. (note 12)	87,248	33,794
Value-added taxes receivable	-	487,810
<b>Total current assets</b>	<b>13,982,724</b>	<b>6,653,518</b>
<b>Non-current assets</b>		
Restricted cash (note 5(a))	99,164	99,664
Property and equipment (note 4)	1,279,415	1,176,534
Equity accounted investment (note 12)	586,256	718,256
South American property interests	9,583,652	9,583,652
<b>Total non-current assets</b>	<b>11,548,487</b>	<b>11,578,106</b>
<b>Total assets</b>	<b>\$ 25,531,211</b>	<b>\$ 18,231,624</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities	\$ 1,433,915	\$ 1,132,075
Due to Mega Uranium Ltd.	-	487,810
	<b>1,433,915</b>	<b>1,619,885</b>
<b>Non-current liabilities</b>		
Taxes payable	176,000	176,000
	<b>1,609,915</b>	<b>1,795,885</b>
<b>Capital and reserves</b>		
Share capital (note 7)	70,727,269	62,068,233
Reserves	15,216,295	12,814,523
Deficit	(62,022,268)	(58,447,017)
<b>Total equity</b>	<b>23,921,296</b>	<b>16,435,739</b>
<b>Total equity and liabilities</b>	<b>\$ 25,531,211</b>	<b>\$ 18,231,624</b>

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

Subsequent event (note 16)

Approved by the Board of Directors:

"Bryan A. Coates"      Director

"David Constable"      Director

The Uranium Discovery Company

**U308 CORP**

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**U308 Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)****Three Months Ended March 31,****2012****2011**

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**Expenses**

Exploration expenditures (note 10)	\$ 2,859,404	\$ 3,905,211
General and administrative (note 11)	610,921	548,504
<b>Operating loss before the following items</b>	<b>(3,470,325)</b>	<b>(4,453,715)</b>
Interest income	21,959	11,462
Foreign exchange gain (loss)	5,115	(131,399)
Share of losses from equity accounted investment (note 12)	(132,000)	-
<b>Net loss and comprehensive loss</b>	<b>\$ (3,575,251)</b>	<b>\$ (4,573,652)</b>
<b>Basic and Diluted net loss per share (note 9)</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>113,761,246</b>	<b>89,912,691</b>

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The notes to the condensed interim consolidated 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)

Three Months Ended March 31,

2012

2011

#### Operating activities

Net loss	\$ (3,575,251)	\$ (4,573,652)
Adjustment for:		
Amortization	77,408	71,267
Share-based payments (note 8)	104,015	153,226
Foreign exchange (gain) loss	(5,115)	131,399
Interest income	(21,959)	(11,462)
Share of losses from equity accounted investment (note 12)	132,000	-
Non-cash working capital items:		
Accounts receivable and other assets	(211,577)	(173,952)
Accounts payable and accrued liabilities	301,840	295,292
Loan receivable from South American Rare Earth Corp. (note 12)	(53,454)	-
<b>Net cash used in operating activities</b>	<b>(3,252,093)</b>	<b>(4,107,882)</b>

#### Financing activities

Issue of securities, net of transaction costs	10,710,468	19,180,153
Exercise of stock options	50,575	41,838
Exercise of warrants	195,750	249,750
<b>Net cash provided by financing activities</b>	<b>10,956,793</b>	<b>19,471,741</b>

#### Investing activities

Additions to property and equipment	(180,289)	(53,175)
Interest income	21,959	11,462
<b>Net cash used in investing activities</b>	<b>(158,330)</b>	<b>(41,713)</b>
Effect of exchange rate changes on cash held in foreign currencies	5,115	(131,399)

<b>Net change in cash and cash equivalents</b>	<b>7,551,485</b>	<b>15,190,747</b>
<b>Cash and cash equivalents and restricted cash, beginning of period</b>	<b>5,847,203</b>	<b>5,105,630</b>
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>\$ 13,398,688</b>	<b>\$ 20,296,377</b>

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

The Uranium Discovery Company

**U308 CORP**

**U308 Corp.****Condensed Interim Consolidated Statements of Equity  
(Expressed in Canadian Dollars)  
(Unaudited)**

	Share capital	Share-based payments reserve	Warrants	Deficit	Total
<b>Balance, December 31, 2010</b>	<b>\$ 48,564,060</b>	<b>\$ 4,170,479</b>	<b>\$ 1,658,050</b>	<b>\$(39,335,687)</b>	<b>\$ 15,056,902</b>
Issue of securities, net of transaction costs (note 7(b)(i))	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)	-	153,226	-	-	153,226
Loss and comprehensive loss for the period	-	-	-	(4,573,652)	(4,573,652)
<b>Balance, March 31, 2011</b>	<b>\$ 62,068,233</b>	<b>\$ 4,292,295</b>	<b>\$ 7,657,028</b>	<b>\$(43,909,339)</b>	<b>\$ 30,108,217</b>

	Share capital	Share-based payments reserve	Warrants	Deficit	Total
<b>Balance, December 31, 2011</b>	<b>\$ 62,068,233</b>	<b>\$ 5,157,495</b>	<b>\$ 7,657,028</b>	<b>\$(58,447,017)</b>	<b>\$ 16,435,739</b>
Issue of securities, net of transaction costs (note 7(b)(ii))	8,322,823	-	2,387,645	-	10,710,468
Warrants exercised	250,250	-	(54,500)	-	195,750
Stock options exercised	85,963	(35,388)	-	-	50,575
Share-based payments (note 8)	-	104,015	-	-	104,015
Loss and comprehensive loss for the period	-	-	-	(3,575,251)	(3,575,251)
<b>Balance, March 31, 2012</b>	<b>\$ 70,727,269</b>	<b>\$ 5,226,122</b>	<b>\$ 9,990,173</b>	<b>\$(62,022,268)</b>	<b>\$ 23,921,296</b>

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

The Uranium Discovery Company



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## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

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#### 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. The Company maintains a corporate office at 8 King Street East, Suite 710, Toronto, Ontario, M5C 1B5, Canada.

#### 2. Basis of presentation

The Company is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and acquisition activities. The Company has incurred a loss in the current and prior periods, with a net loss for the three months ended March 31, 2012 of \$3,575,251 and has an accumulated deficit of \$62,022,268. Results for the three months ended March 31, 2012 are not necessarily indicative of future results. In addition, the Company had a working capital balance of \$12,548,809 at March 31, 2012. On February 9, 2012, the Company raised gross proceeds of \$11.5 million (note 7(b)(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

##### *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 23, 2012, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2011. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2012 could result in restatement of these condensed interim financial statements.

##### *New standards not yet adopted and interpretations issued but not yet effective*

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual consolidated statements as at and for the year ended December 31, 2011.

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

### 4. Property and equipment

#### **COST**

	<b>Mobile and drilling equipment</b>	<b>Field equipment</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Balance, December 31, 2011	\$ 1,424,706	\$ 1,425,164	\$ 62,695	\$ 143,772	\$ 3,056,337
Additions	168,082	9,522	-	2,685	180,289
Balance, March 31, 2012	\$ 1,592,788	\$ 1,434,686	\$ 62,695	\$ 146,457	\$ 3,236,626

#### **ACCUMULATED DEPRECIATION**

	<b>Mobile and drilling equipment</b>	<b>Field equipment</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Balance, December 31, 2011	\$ 1,085,868	\$ 671,633	\$ 51,972	\$ 70,330	\$ 1,879,803
Depreciation for the period	31,716	40,395	804	4,493	77,408
Balance, March 31, 2012	\$ 1,117,584	\$ 712,028	\$ 52,776	\$ 74,823	\$ 1,957,211

#### **CARRYING AMOUNTS**

	<b>Mobile and drilling equipment</b>	<b>Field equipment</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
At December 31, 2011	\$ 338,838	\$ 753,531	\$ 10,723	\$ 73,442	\$ 1,176,534
At March 31, 2012	\$ 475,204	\$ 722,658	\$ 9,919	\$ 71,634	\$ 1,279,415

### 5. Cash position

	<b>As at March 31, 2012</b>	<b>As at December 31, 2011</b>
Cash	\$ 1,161,292	\$ 641,500
Cash equivalents	12,138,232	5,106,039
Cash and cash equivalents	13,299,524	5,747,539
Restricted cash (a)	99,164	99,664
Total Cash position	\$ 13,398,688	\$ 5,847,203

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

**Notes to Condensed Interim Consolidated Financial Statements**  
**Three Months Ended March 31, 2012**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

### 5. Cash position (continued)

(a) As at March 31, 2012, the Company had entered into several letters of guarantee in the amount of \$94,164 (December 31, 2011 - \$94,664) with respect to regulations for all Prospecting Licences issued to the Company in Guyana. Subsequent to March 31, 2012, the Company was required to increase the letters of guarantee by US\$50,000. In addition, the Company had a letter of guarantee totaling \$5,000 (December 31, 2011 - \$5,000) that is required by the Company for exploration activities in Guyana.

### 6. Amounts receivable and other assets

	As at March 31, 2012	As at December 31, 2011
Sales tax receivable - (Canada)	\$ 95,150	\$ 59,640
Due from Minexco Minerals Corp. (note 10(a))	234,896	-
Deposits with service providers	265,906	324,735
	\$ 595,952	\$ 384,375

### 7. Share capital

#### a) Authorized share capital

At March 31, 2012 (December 31, 2011 - same), 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 March 31, 2012, the issued share capital amounted to \$70,727,269. The change in issued share capital for the periods was as follows:

	Number of common shares	Amount
Balance, December 31, 2010	77,891,658	\$ 48,564,060
Issue of securities, net of transaction costs (i)	24,150,000	13,111,640
Stock options exercised	80,000	73,248
Warrants exercised	555,000	319,285
Balance, March 31, 2011	102,676,658	\$ 62,068,233
Balance, December 31, 2011	102,676,658	\$ 62,068,233
Issue of securities, net of transaction costs (ii)	19,205,000	8,322,823
Stock options exercised	117,500	85,963
Warrants exercised	435,000	250,250
Balance, March 31, 2012	122,434,158	\$ 70,727,269

The Uranium Discovery Company

**U308 CORP**



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## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 7. Share capital (continued)

#### b) Common shares issued (continued)

(i) On February 15, 2011, the Company 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 of \$1,271,627, determined as 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% using the historical price history of the Company; 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% using the historical price history of the Company; 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 689,024 warrants will be issued at \$1.00 if these broker warrants are exercised.

The Uranium Discovery Company

**U308 CORP**

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## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three Months Ended March 31, 2012 (Expressed in Canadian Dollars) (Unaudited)

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#### 7. Share capital (continued)

##### b) Common shares issued (continued)

(ii) On February 9, 2012, the Company closed its private placement bought deal offering to raise aggregate gross proceeds of \$11,523,000 (the "Issue").

Pursuant to the Issue, the Company issued an aggregate of 19,205,000 units (the "Securities") at \$0.60 per Security, including an aggregate of 2,505,000 Securities issued upon full exercise of the over-allotment option granted to the underwriters (the "Option"). Each Security consisted of one common share of the Company (the "Share") and one-half of one common share purchase warrant (the "Warrant Security"). Each whole Warrant Security entitles the holder thereof to acquire one Share of the Company for a period of 24 months at an exercise price of \$0.80 per Share.

In connection with the Issue, the underwriters received (i) a cash commission equal to 6.0% of the gross proceeds raised under the Issue (inclusive of the Option), other than with respect to gross proceeds derived from certain subscriptions by insiders of the Company; (ii) a work fee of \$85,000; and (iii) an aggregate of 1,104,096 non-transferable broker warrants, each of which is exercisable into one Security for a period of 24 months at an exercise price of \$0.60 per Security.

All securities issued in connection with the Issue are subject to a statutory hold period expiring on June 10, 2012.

A value of \$2,304,600 was estimated for the 9,602,500 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% using the historical price history of the Company; risk-free interest rate of 1.11%; and an expected average life of 2 years.

A value of \$306,939 was estimated for the 1,104,096 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% using the historical price history of the Company; risk-free interest rate of 1.11%; and an expected average life of 2 years. This value charged \$245,551 to share capital and \$61,388 to warrants as transaction costs.

Total share issue costs of \$812,532 were charged and allocated \$650,026 to share capital and \$162,506 to warrants.

The broker warrants issued in the February 2012 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 \$0.80 per warrant share. A total of 552,048 warrants will be issued at \$0.80 if these broker warrants are exercised.

#### 8. Stock options

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2010	4,326,250	0.48
Exercised	(80,000)	0.52
Balance, March 31, 2011	4,246,250	0.48

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

### 8. Stock options (continued)

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2011	6,973,750	0.48
Exercised	(117,500)	0.43
Cancelled	(50,000)	0.80
Balance, March 31, 2012	6,806,250	0.48

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

Three Months Ended March 31,	2012	2011
<b>Canada</b>		
Salaries and benefits	\$ 42,763	\$ 47,929
<b>Guyana, South America</b>		
Salaries and benefits	17,038	8,456
<b>Colombia, South America</b>		
Salaries and benefits	22,093	77,472
<b>Argentina, South America</b>		
Salaries and benefits	22,121	19,369
<b>Total</b>	<b>\$ 104,015</b>	<b>\$ 153,226</b>

The following table reflects the actual stock options issued and outstanding as of March 31, 2012:

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	0.72	300,000	300,000	-
April 30, 2013	0.65	1.08	40,000	40,000	-
June 26, 2013	0.80	1.24	166,250	166,250	-
September 8, 2014	0.35	2.44	327,500	327,500	-
May 4, 2015	0.41	3.09	2,712,500	2,712,500	-
June 4, 2015	0.24	3.18	150,000	150,000	-
November 25, 2015	0.73	3.65	230,000	168,750	61,250
May 9, 2016	0.50	4.11	2,310,000	1,162,500	1,147,500
May 25, 2016	0.45	4.15	200,000	100,000	100,000
August 24, 2016	0.26	4.40	370,000	185,000	185,000
		3.37	6,806,250	5,312,500	1,493,750

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three Months Ended March 31, 2012 (Expressed in Canadian Dollars) (Unaudited)

#### 9. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2012 was based on the loss attributable to common shareholders of \$3,575,251 (three months ended March 31, 2011 – \$4,573,652) and the weighted average number of common shares outstanding of 113,761,246 (three months ended March 31, 2011 – 89,912,691). Diluted loss per share did not include the effect of 6,806,250 share purchase options and 36,403,536 warrants as they are anti-dilutive.

#### 10. 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 March 31,	2012	2011
<b>Guyana, South America (a)</b>		
Exploration activities	\$ 701,211	\$ 762,436
Salaries and benefits	247,614	262,392
Amortization	43,878	55,243
	<b>\$ 992,703</b>	<b>\$ 1,080,071</b>
<b>Colombia, South America (b)</b>		
Exploration activities	\$ 750,277	\$ 1,461,447
Salaries and benefits	367,130	436,244
Amortization	26,451	10,490
	<b>\$ 1,143,858</b>	<b>\$ 1,908,181</b>
<b>Argentina, South America (c)</b>		
Exploration activities	\$ 635,186	\$ 819,738
Salaries and benefits	81,520	94,415
Amortization	6,137	2,806
	<b>\$ 722,843</b>	<b>\$ 916,959</b>
	<b>\$ 2,859,404</b>	<b>\$ 3,905,211</b>

(a) Total cumulative exploration activities incurred in Guyana, South America to March 31, 2012, net of recoveries amounted to \$31,691,199 (December 31, 2011 - \$30,698,496).

On March 23, 2012, the Company entered into an agreement to sell seven grassroots concessions in Guyana to Minexco Minerals Corp. ("Minexco"), a private company, in return for nine million shares of Minexco (approximately 13% of shares outstanding) ("Minexco Share"). The transaction also gives the Company the right to participate in future financings under certain circumstances and the receipt of warrants in Minexco upon completion of 5,000 metres of drilling within the consolidated area. Completion of the transaction is subject to approval by the Guyanese government of the permit transfer and receipt of the Minexco Shares. Subsequent to March 31, 2012, the Company received the 9 million Minexco Shares.

The Uranium Discovery Company

**U308 CORP**

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## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three Months Ended March 31, 2012 (Expressed in Canadian Dollars) (Unaudited)

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#### 10. Exploration expenditures (continued)

(a) (continued) As of March 31, 2012, Minexco owed the Company \$234,896 (December 31, 2011 - \$nil) for reimbursement of exploration work carried out by the Company.

(b) Total cumulative exploration activities incurred in Colombia, South America to March 31, 2012 amounted to \$12,210,368 (December 31, 2011 - \$11,066,510). Included in exploration activities is an amount of approximately \$172,000 (December 31, 2011 - \$172,000) 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 March 31, 2012 amounted to \$7,510,480 (December 31, 2011 - \$6,787,637).

#### 11. General and administrative

Three Months Ended March 31,	2012	2011
Salaries and benefits	\$ 223,231	\$ 235,350
Administrative and general	74,799	60,928
Professional fees	194,076	117,294
Business development	69,616	93,773
Reporting issuer costs	48,257	38,431
Amortization	942	2,728
	<b>\$ 610,921</b>	<b>\$ 548,504</b>

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#### 12. Equity accounted investment

A continuity of the Company's investment in South American Rare Earth Corp. ("SAREC") is as follows:

	SAREC Investment
Balance, December 31, 2011	\$ 718,256
Share of losses of SAREC	(132,000)
Balance, March 31, 2012 <sup>(2)</sup>	586,256
Loan receivable from SAREC <sup>(1)</sup>	\$ 87,248

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<sup>(1)</sup> Non-interest bearing, due on demand and unsecured; and

<sup>(2)</sup> The Company's ownership in SAREC is 18.2%.

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

### 13. Warrants

	Number of warrants	Grant date fair value (\$)
Balance, December 31, 2010	13,233,892	1,658,050
Granted (note 7(b)(i))	13,453,048	6,068,513
Exercised	(555,000)	(69,535)
Balance, March 31, 2011	26,131,940	7,657,028

	Number of warrants	Grant date fair value (\$)
Balance, December 31, 2011	26,131,940	7,657,028
Granted (note 7(b)(ii))	10,706,596	2,387,645
Exercised	(435,000)	(54,500)
Balance, March 31, 2012	36,403,536	9,990,173

The following table reflects the actual warrants issued and outstanding as of March 31, 2012:

Expiry date	Exercise price (\$)	Warrants outstanding
October 14, 2012	0.45	12,243,892
February 15, 2013	1.00	12,075,000
February 15, 2013	0.85	1,378,048 <sup>(1)</sup>
February 9, 2014	0.80	9,602,500
February 9, 2014	0.60	1,104,096 <sup>(2)</sup>
		36,403,536

<sup>(1)</sup> Each unit consists of one common share and one-half of one warrant of the Company exercisable at a price equal to \$0.85 until February 15, 2013. Each whole warrant included in the unit is exercisable at a price equal to \$1.00 until February 15, 2013.

<sup>(2)</sup> Each unit consists of one common share and one-half of one warrant of the Company exercisable at a price equal to \$0.60 until February 9, 2014. Each whole warrant included in the unit is exercisable at a price equal to \$0.80 until February 9, 2014.

### 14. 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).

The Uranium Discovery Company

**U308 CORP**

## U3O8 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended March 31, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

### 14. Related party balances and transactions (continued)

(a) The Company entered into the following transactions with related parties:

Three Months Ended March 31,	2012	2011
John Ross (i)	\$ 15,000	\$ 15,000

(i) Chief Financial Officer ("CFO") fees paid to John C. Ross Consulting Inc. for John Ross to act as the Company's CFO. John C. Ross Consulting Inc. is controlled by John Ross. \$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 March 31,	2012	2011
Salaries and benefits (*)	\$ 78,934	\$ 82,434
Share based payments	33,345	43,658
	\$ 112,279	\$ 126,092

(\*) 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.

### 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:

#### March 31, 2012

	Canada	Guyana	Barbados	Colombia	Argentina	Total
Current assets	\$ 13,106,212	\$ 267,275	\$ 200,002	\$ 293,980	\$ 115,255	\$ 13,982,724
Non-current assets	602,260	756,944	-	7,769,365	2,419,918	11,548,487
	\$ 13,708,472	\$ 1,024,219	\$ 200,002	\$ 8,063,345	\$ 2,535,173	\$ 25,531,211

#### December 31, 2011

	Canada	Guyana	Barbados	Colombia	Argentina	Total
Current assets	\$ 5,598,528	\$ 70,129	\$ 175,441	\$ 283,140	\$ 526,280	\$ 6,653,518
Non-current assets	734,002	799,838	-	7,651,828	2,392,438	11,578,106
	\$ 6,332,530	\$ 869,967	\$ 175,441	\$ 7,934,968	\$ 2,918,718	\$ 18,231,624

### 16. Subsequent event

On April 2, 2012, three mineral properties with potential for sandstone-hosted uranium were acquired from Pacific Bay Minerals Ltd. ("Pacific Bay") to expand the Company's strategic land position adjacent to one of Argentina's largest uranium resources – the State's Cerro Solo uranium deposit in Chubut Province. As consideration for these assets, Pacific Bay received 1.5 million common shares of the Company on April 27, 2012, \$100,000 in cash and retains a 2% net smelter royalty purchasable by the Company for \$3 million.

The Uranium Discovery Company

**U3O8 CORP**