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**U308 CORP.**  
**CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2012**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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The Uranium Discovery Company

**U308 CORP**

## U3O8 Corp.

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

	As at June 30, 2012	As at December 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	\$ 8,153,844	\$ 5,747,539
Amounts receivable and other assets (note 6)	962,009	384,375
Loan receivable from South American Rare Earth Corp. (note 13)	84,085	33,794
Value-added taxes receivable	-	487,810
<b>Total current assets</b>	<b>9,199,938</b>	<b>6,653,518</b>
<b>Non-current assets</b>		
Restricted cash (note 5(a))	107,317	99,664
Property and equipment (note 4)	1,307,683	1,176,534
Equity accounted investment (note 13)	500,256	718,256
Property interests (note 12)	10,403,652	9,583,652
<b>Total non-current assets</b>	<b>12,318,908</b>	<b>11,578,106</b>
<b>Total assets</b>	<b>\$ 21,518,846</b>	<b>\$ 18,231,624</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities	\$ 1,329,191	\$ 1,132,075
Due to Mega Uranium Ltd.	-	487,810
	<b>1,329,191</b>	<b>1,619,885</b>
<b>Non-current liabilities</b>		
Taxes payable	176,000	176,000
	<b>1,505,191</b>	<b>1,795,885</b>
<b>Capital and reserves</b>		
Share capital (note 7)	71,447,269	62,068,233
Reserves	15,586,586	12,814,523
Deficit	(67,020,200)	(58,447,017)
<b>Total equity</b>	<b>20,013,655</b>	<b>16,435,739</b>
<b>Total equity and liabilities</b>	<b>\$ 21,518,846</b>	<b>\$ 18,231,624</b>

The notes to the condensed interim consolidated 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**

## U308 Corp.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Expenses</b>				
Exploration expenditures (note 11)	\$ 4,168,223	\$ 4,748,642	\$ 7,027,627	\$ 8,653,853
General and administrative (note 10)	876,084	815,641	1,487,005	1,364,145
<b>Operating loss before the following items</b>	<b>(5,044,307)</b>	<b>(5,564,283)</b>	<b>(8,514,632)</b>	<b>(10,017,998)</b>
Interest income	36,112	60,615	58,071	72,077
Foreign exchange gain (loss)	96,263	(66,571)	101,378	(197,970)
Gain on sale of investment in Gaia	-	1,552,142	-	1,552,142
Share of losses from equity accounted investment (note 13)	(86,000)	(401,334)	(218,000)	(401,334)
<b>Net loss and comprehensive loss</b>	<b>\$ (4,997,932)</b>	<b>\$ (4,419,431)</b>	<b>\$ (8,573,183)</b>	<b>\$ (8,993,083)</b>
<b>Basic and Diluted net loss per share</b> (note 9)	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>	<b>\$ (0.07)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding</b>	<b>123,489,103</b>	<b>102,676,658</b>	<b>118,625,174</b>	<b>96,329,934</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 Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

Six Months Ended June 30,

2012

2011

#### Operating activities

Net loss	\$ (8,573,183)	\$ (8,993,083)
Adjustment for:		
Amortization	162,605	149,841
Share-based payments (note 8)	474,306	596,353
Foreign exchange (gain) loss	(101,378)	197,970
Interest income	(58,071)	(72,077)
Share of losses (gain) from equity accounted investment (note 13)	218,000	(716,647)
Non-cash working capital items:		
Accounts receivable and other assets	(577,634)	(254,384)
Amounts payable and other liabilities	197,116	400,939
Loan receivable from South American Rare Earth Corp. (note 13)	(50,291)	176,843
<b>Net cash used in operating activities</b>	<b>(8,308,530)</b>	<b>(8,514,245)</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

Purchases of property and equipment	(293,754)	(238,977)
Property payment (note 12)	(100,000)	-
Interest income	58,071	72,077
<b>Net cash used in investing activities</b>	<b>(335,683)</b>	<b>(166,900)</b>
Effect of exchange rate changes on cash held in foreign currencies	101,378	(197,970)
<b>Net change in cash and cash equivalents</b>	<b>2,413,958</b>	<b>10,592,626</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>\$ 8,261,161</b>	<b>\$ 15,698,256</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)	-	596,353	-	-	596,353
Loss and comprehensive loss for the period	-	-	-	(8,993,083)	(8,993,083)
<b>Balance, June 30, 2011</b>	<b>\$ 62,068,233</b>	<b>\$ 4,735,422</b>	<b>\$ 7,657,028</b>	<b>\$(48,328,770)</b>	<b>\$ 26,131,913</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
Acquisition of mineral property (note 12)	720,000	-	-	-	720,000
Warrants exercised	250,250	-	(54,500)	-	195,750
Stock options exercised	85,963	(35,388)	-	-	50,575
Share-based payments (note 8)	-	474,306	-	-	474,306
Loss and comprehensive loss for the period	-	-	-	(8,573,183)	(8,573,183)
<b>Balance, June 30, 2012</b>	<b>\$ 71,447,269</b>	<b>\$ 5,596,413</b>	<b>\$ 9,990,173</b>	<b>\$(67,020,200)</b>	<b>\$ 20,013,655</b>

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

The Uranium Discovery Company

**U308 CORP**

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## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended June 30, 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 six months ended June 30, 2012 of \$8,573,183 and has an accumulated deficit of \$67,020,200. Results for the six months ended June 30, 2012 are not necessarily indicative of future results. In addition, the Company had a working capital balance of \$7,870,747 at June 30, 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 August 22, 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 consolidated 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.

## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended June 30, 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	201,820	84,946	-	6,988	293,754
Balance, June 30, 2012	\$ 1,626,526	\$ 1,510,110	\$ 62,695	\$ 150,760	\$ 3,350,091

#### **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	65,962	84,562	1,608	10,473	162,605
Balance, June 30, 2012	\$ 1,151,830	\$ 756,195	\$ 53,580	\$ 80,803	\$ 2,042,408

#### **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 June 30, 2012	\$ 474,696	\$ 753,915	\$ 9,115	\$ 69,957	\$ 1,307,683

### 5. Cash position

	<b>As at June 30, 2012</b>	<b>As at December 31, 2011</b>
Cash	\$ 1,781,157	\$ 641,500
Cash equivalents	6,372,687	5,106,039
Cash and cash equivalents	8,153,844	5,747,539
Restricted cash (a)	107,317	99,664
Total Cash position	\$ 8,261,161	\$ 5,847,203

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

**Notes to Condensed Interim Consolidated Financial Statements**  
**Three and Six Months Ended June 30, 2012**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

### 5. Cash position (continued)

(a) As at June 30, 2012, the Company had entered into several letters of guarantee in the amount of \$102,217 (December 31, 2011 - \$94,664) with respect to regulations for all Prospecting Licences issued to the Company in Guyana. In addition, the Company had a letter of guarantee totaling \$5,100 (December 31, 2011 - \$5,000) that is required by the Company for exploration activities in Guyana.

### 6. Amounts receivable and other assets

	As at June 30, 2012	As at December 31, 2011
Sales tax receivable - (Canada)	\$ 59,812	\$ 59,640
Due from Minexco Minerals Corp. (note 11(a))	339,759	-
Deposits with service providers	562,438	324,735
	<u>\$ 962,009</u>	<u>\$ 384,375</u>

### 7. Share capital

#### a) Authorized share capital

At June 30, 2012, the authorized share capital consisted of an unlimited number of common shares (December 31, 2011 - same). The common shares do not have a par value. All issued shares are fully paid.

#### b) Common shares issued

The change in issued share capital for the periods ended June 30, 2012 and 2011 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, June 30, 2011	<u>102,676,658</u>	<u>\$ 62,068,233</u>
Balance, December 31, 2011	102,676,658	\$ 62,068,233
Issue of securities, net of transaction costs (ii)	19,205,000	8,322,823
Acquisition of mineral property (note 11(c))	1,500,000	720,000
Stock options exercised	117,500	85,963
Warrants exercised	435,000	250,250
Balance, June 30, 2012	<u>123,934,158</u>	<u>\$ 71,447,269</u>

The Uranium Discovery Company

**U308 CORP**



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## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended June 30, 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.

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## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended June 30, 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 were subject to a statutory hold period that expired 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
Granted	2,645,000	0.50
Balance, June 30, 2011	6,891,250	0.49

The Uranium Discovery Company

**U308 CORP**

## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended June 30, 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
Granted	3,480,000	0.42
Balance, June 30, 2012	10,286,250	0.46

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Canada</b>				
Salaries and benefits	\$ 157,230	\$ 207,470	\$ 199,993	\$ 255,399
<b>Guyana, South America</b>				
Salaries and benefits	\$ 53,859	\$ 50,573	\$ 70,897	\$ 59,029
<b>Colombia, South America</b>				
Salaries and benefits	\$ 79,815	\$ 103,037	\$ 101,908	\$ 180,509
<b>Argentina, South America</b>				
Salaries and benefits	\$ 79,387	\$ 82,047	\$ 101,508	\$ 101,416
<b>Total</b>	\$ 370,291	\$ 443,127	\$ 474,306	\$ 596,353

The following table reflects the actual stock options issued and outstanding as of June 30, 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	0.47	300,000	300,000	-
April 30, 2013	0.65	0.83	40,000	40,000	-
June 26, 2013	0.80	0.99	166,250	166,250	-
September 8, 2014	0.35	2.19	327,500	327,500	-
May 4, 2015	0.41	2.84	2,712,500	2,712,500	-
June 4, 2015	0.24	2.93	150,000	150,000	-
November 25, 2015	0.73	3.41	230,000	230,000	-
May 9, 2016	0.50	3.86	2,310,000	1,736,250	573,750
May 25, 2016	0.45	3.90	200,000	150,000	50,000
August 24, 2016	0.26	4.15	370,000	185,000	185,000
May 23, 2017 <sup>(a)</sup>	0.42	4.90	3,480,000	870,000	2,610,000
		3.72	10,286,250	6,867,500	3,418,750

The Uranium Discovery Company

**U308 CORP**

## U3O8 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended June 30, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

### 8. Stock options (continued)

<sup>(a)</sup> On May 22, 2012, the Company granted 3,480,000 stock options to employees, directors and consultants pursuant to the Company's stock option plan. The stock options were issued at an exercise price of \$0.42, vest over 18 months and will expire on May 23, 2017. Of the options granted, 3,480,000 remained outstanding at June 30, 2012. For the purposes of the 3,480,000 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 97%; risk-free interest rate of 1.20%; and an expected average life of three years. The estimated value of \$890,880 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 23, 2012, 25% on May 23, 2013 and 25% on November 23, 2013. For the three and six months ended June 30, 2012, the impact on expenses was \$308,335.

### 9. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2012 was based on the loss attributable to common shareholders of \$4,997,932 and \$8,573,183, respectively (three and six months ended June 30, 2011 – \$4,419,431 and \$8,993,083, respectively) and the weighted average number of common shares outstanding of 123,489,103 and 118,625,174, respectively (three and six months ended June 30, 2011 – 102,676,658 and 96,329,934). Diluted loss per share did not include the effect of 10,286,250 share purchase options (2011 comparable period - 6,891,250) and 36,403,536 warrants (2011 comparable period - 26,132,303) as they are anti-dilutive.

### 10. General and administrative

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Salaries and benefits	\$ 341,151	\$ 387,505	\$ 564,382	\$ 622,855
Administrative and general	85,787	67,685	160,586	128,613
Professional fees	238,358	172,774	432,434	290,068
Business development	62,328	102,467	131,944	196,240
Reporting issuer costs	146,032	84,452	194,289	122,883
Amortization	2,428	758	3,370	3,486
	\$ 876,084	\$ 815,641	\$ 1,487,005	\$ 1,364,145

The Uranium Discovery Company

**U3O8 CORP**

## U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Six Months Ended June 30, 2012  
(Expressed in Canadian Dollars)  
(Unaudited)

### 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,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Guyana, South America (a)</b>				
Exploration activities	\$ 781,475	\$ 687,093	\$ 1,482,686	\$ 1,449,529
Salaries and benefits	254,842	315,425	502,456	577,817
Amortization	43,915	56,904	87,793	112,147
	<b>\$ 1,080,232</b>	<b>\$ 1,059,422</b>	<b>\$ 2,072,935</b>	<b>\$ 2,139,493</b>
<b>Colombia, South America (b)</b>				
Exploration activities	\$ 1,706,212	\$ 1,750,463	\$ 2,456,489	\$ 3,211,910
Salaries and benefits	539,865	614,187	906,995	1,050,431
Amortization	31,236	18,107	57,687	28,597
	<b>\$ 2,277,313</b>	<b>\$ 2,382,757</b>	<b>\$ 3,421,171</b>	<b>\$ 4,290,938</b>
<b>Argentina, South America (c)</b>				
Exploration activities	\$ 642,801	\$ 1,124,353	\$ 1,277,987	\$ 1,944,091
Salaries and benefits	160,259	179,305	241,779	273,720
Amortization	7,618	2,805	13,755	5,611
	<b>\$ 810,678</b>	<b>\$ 1,306,463</b>	<b>\$ 1,533,521</b>	<b>\$ 2,223,422</b>
	<b>\$ 4,168,223</b>	<b>\$ 4,748,642</b>	<b>\$ 7,027,627</b>	<b>\$ 8,653,853</b>

(a) Total cumulative exploration activities incurred in Guyana, South America to June 30, 2012, net of recoveries amounted to \$32,771,431 (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.

As of June 30, 2012, Minexco owed the Company \$339,759 (December 31, 2011 - \$nil) for reimbursement of exploration work carried out by the Company.

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Notes to Condensed Interim Consolidated Financial Statements  
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### 11. Exploration expenditures (continued)

(b) Total cumulative exploration activities incurred in Colombia, South America to June 30, 2012 amounted to \$14,487,681 (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 June 30, 2012 amounted to \$8,321,158 (December 31, 2011 - \$6,787,637).

### 12. Property interests

On April 27, 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 valued at \$720,000, \$100,000 in cash and retains a 2% net smelter royalty purchasable by the Company for \$3 million. The acquisition costs of \$820,000 have been capitalized to property interests.

### 13. Equity accounted investment

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

	<b>SAREC Investment</b>
Balance, December 31, 2011	\$ 718,256
Share of losses of SAREC	(218,000)
Balance, June 30, 2012 <sup>(2)</sup>	500,256
Loan receivable from SAREC <sup>(1)</sup>	\$ 84,085

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

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

### 14. Warrants

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

	<b>Number of warrants</b>	<b>Grant date fair value (\$)</b>
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, June 30, 2012	36,403,536	9,990,173

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**14. Warrants (continued)**

The following table reflects the actual warrants issued and outstanding as of June 30, 2012:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Warrants outstanding</b>
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>
		<b>36,403,536</b>

<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.

**15. 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).

## U308 Corp.

### Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended June 30, 2012 (Expressed in Canadian Dollars) (Unaudited)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
John Ross (i)	\$ 15,000	\$ 15,000	\$ 30,000	\$ 30,000

(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 amounts payable and other liabilities at June 30, 2012 (December 31, 2011 - \$nil)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Salaries and benefits (*)	\$ 89,934	\$ 85,391	\$ 168,868	\$ 167,825
Share based payments	117,470	179,213	150,815	247,763
	\$ 207,404	\$ 264,604	\$ 319,683	\$ 415,588

(\*) 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.

#### 16. 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, 2012

	Canada	Guyana	Barbados	Colombia	Argentina	Total
Current assets	\$ 6,885,618	\$ 547,624	\$ 276,643	\$ 1,270,422	\$ 219,631	\$ 9,199,938
Non-current assets	518,135	721,912	-	7,820,312	3,258,549	12,318,908
	\$ 7,403,753	\$ 1,269,536	\$ 276,643	\$ 9,090,734	\$ 3,478,180	\$ 21,518,846

##### 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

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