
U308 CORP.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE MONTHS ENDED
MARCH 31, 2013
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of U308 Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

The **Uranium** Discovery Company

U308 CORP

U308 Corp.

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

| | As at March 31, 2013 | As at December 31, 2012 |
|--|----------------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (note 5) | \$ 161,923 | \$ 1,279,948 |
| Funds in trust | 27,500 | - |
| Amounts receivable and other assets (note 6) | 516,318 | 639,372 |
| Loan receivable from South American Rare Earth Corp. (note 12) | 14,881 | 12,193 |
| Investment in Minexco Minerals Corp. (note 10(a)) | 1,928,571 | 1,928,571 |
| Investment in Pinetree Capital Ltd. (note 7(b)(ii)) | 1,517,242 | - |
| Total current assets | 4,166,435 | 3,860,084 |
| Non-current assets | | |
| Restricted cash (note 5(a)) | 138,199 | 149,380 |
| Property and equipment (note 4) | 1,407,587 | 1,496,264 |
| Equity accounted investment (note 12) | 346,256 | 375,256 |
| South American property interests (note 16) | 10,403,652 | 10,403,652 |
| Total non-current assets | 12,295,694 | 12,424,552 |
| Total assets | \$ 16,462,129 | \$ 16,284,636 |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Amounts payable and other liabilities | \$ 1,945,218 | \$ 1,565,391 |
| Non-current liabilities | | |
| Other payable | 176,000 | 176,000 |
| | 2,121,218 | 1,741,391 |
| Capital and reserves | | |
| Share capital (note 7) | 81,630,596 | 73,668,634 |
| Reserves | 8,065,251 | 14,413,625 |
| Deficit | (75,354,936) | (73,539,014) |
| Total equity | 14,340,911 | 14,543,245 |
| Total equity and liabilities | \$ 16,462,129 | \$ 16,284,636 |

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

Proposed transactions (note 17)

Subsequent events (note 19)

Approved by the Board of Directors:

"Bryan A. Coates" _____ Director

"David Constable" _____ Director

The Uranium Discovery Company

U308 CORP

U308 Corp.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)****Three Months Ended March 31,****2013****2012**

Expenses

| | | |
|---|-----------------------|-----------------------|
| Exploration expenditures (note 10) | \$ 1,378,647 | \$ 2,859,404 |
| General and administrative (note 11) | 536,758 | 610,921 |
| Operating loss before the following items | (1,915,405) | (3,470,325) |
| Interest income | 9,660 | 21,959 |
| Foreign exchange (loss) income | (2,496) | 5,115 |
| Shares of losses from equity accounted Investment | (29,000) | (132,000) |
| Unrealized loss on investment in Pinetree Capital Ltd. | (682,758) | - |
| Deferred income tax recovery | 804,077 | - |
| Loss and comprehensive loss | \$ (1,815,922) | \$ (3,575,251) |
| Basic and diluted loss per share (note 9) | \$ (0.01) | \$ (0.03) |
| Weighted average number of common shares outstanding | 137,069,106 | 113,761,246 |

The notes to the unaudited 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,

2013

2012

Operating activities

| | | |
|--|--------------------|--------------------|
| Net loss | \$ (1,815,922) | \$ (3,575,251) |
| Adjustment for: | | |
| Amortization | 88,677 | 77,408 |
| Share-based payments (note 8) | 103,450 | 104,015 |
| Foreign exchange loss (income) | 2,496 | (5,115) |
| Interest income | (9,660) | (21,959) |
| Investment in equity accounted investment (note 12) | 29,000 | 132,000 |
| Unrealized loss on investment in Pinetree Capital Ltd. | 682,758 | - |
| Deferred income tax recovery | (804,077) | - |
| Non-cash working capital items: | | |
| Funds in trust | (27,500) | - |
| Amounts receivable and other assets | 123,054 | (211,577) |
| Amounts payable and other liabilities | 379,827 | 301,840 |
| Loan receivable from South American Rare Earth Corp. (note 12) | (2,688) | (53,454) |
| Net cash used in operating activities | (1,250,585) | (3,252,093) |

Financing activities

| | | |
|--|----------------|-------------------|
| Issue of securities, net of transaction costs | 114,215 | 10,710,468 |
| Exercise of stock options | - | 50,575 |
| Exercise of warrants | - | 195,750 |
| Net cash provided by financing activities | 114,215 | 10,956,793 |

Investing activities

| | | |
|--|--------------|------------------|
| Additions to property and equipment | - | (180,289) |
| Interest income | 9,660 | 21,959 |
| Net cash provided by (used in) investing activities | 9,660 | (158,330) |
| Effect of exchange rate changes on cash held in foreign currencies | (2,496) | 5,115 |

| | | |
|---|--------------------|----------------------|
| Net change in cash and cash equivalents | (1,129,206) | 7,551,485 |
| Cash and cash equivalents and restricted cash, beginning of period | 1,429,328 | 5,847,203 |
| Cash and cash equivalents and restricted cash, end of period | \$ 300,122 | \$ 13,398,688 |

The notes to the unaudited 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 |
|--|----------------------|------------------------------|---------------------|-----------------------|----------------------|
| Balance, December 31, 2011 | \$ 62,068,233 | \$ 5,157,495 | \$ 7,657,028 | \$(58,447,017) | \$ 16,435,739 |
| Issue of securities, net of transaction costs (note 7) | 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) |
| Balance, March 31, 2012 | \$ 70,727,269 | \$ 5,226,122 | \$ 9,990,173 | \$(62,022,268) | \$ 23,921,296 |
| Balance, December 31, 2012 | \$ 73,668,634 | \$ 5,809,723 | \$ 8,603,902 | \$(73,539,014) | \$ 14,543,245 |
| Warrants expired | 6,068,513 | - | (6,068,513) | - | - |
| Tax effect on expiry of warrants | - | (804,077) | - | - | (804,077) |
| Issue of securities, net of transaction costs (note 7) | 1,893,449 | - | 420,766 | - | 2,314,215 |
| Share-based payments (note 8) | - | 103,450 | - | - | 103,450 |
| Loss and comprehensive loss for the period | - | - | - | (1,815,922) | (1,815,922) |
| Balance, March 31, 2013 | \$ 81,630,596 | \$ 5,109,096 | \$ 2,956,155 | \$(75,354,936) | \$ 14,340,911 |

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

The Uranium Discovery Company

U308 CORP

U3O8 Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2013

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations

U3O8 Corp. (the "Company") is a Canadian exploration company focused on exploration for and resource expansion of, uranium and related minerals in South America. It was incorporated by articles of incorporation dated December 6, 2005 ("date of incorporation") under the Business Corporations Act (Ontario). The Company's common shares are listed on the TSX under the symbol UWE and on the OTCQX International under the symbol UWEFF. The Company maintains a corporate office at 8 King Street East, Suite 710, Toronto, Ontario, M5C 1B5, Canada.

2. Basis of presentation and going concern

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, 2013 of \$1,815,922 and has an accumulated deficit of \$75,354,936. In addition, the Company had a working capital balance of \$2,221,217 at March 31, 2013. Subsequent to period end, the Company has raised gross proceeds of \$405,000 by closing the first tranche of its non-brokered private placement (note 19(a)) of its proposed non-brokered private placement of up to approximately \$1.0 million (note 17(b)) to finance a portion of planned expenditures for the next twelve months. Further financing beyond this level of cash will be required to develop the properties, including those expected to be acquired and continue operations. While there is no assurance these funds can be raised, the Company believes such financing will be available as required. Certain of the Company's discretionary exploration activities have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

These unaudited condensed interim consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The certainty of funding future exploration expenditures and availability of sources of additional financing in the future cannot be assured at this time and accordingly, these uncertainties may cast a significant doubt about the Company's ability to continue as a going concern. The unaudited condensed interim consolidated financial statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities and related revenues and expenses that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

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 IASB. These unaudited 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.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 14, 2013, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2012, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2013 could result in restatement of these unaudited condensed interim consolidated financial statements.

The Uranium Discovery Company

U3O8 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2013

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant accounting policies (continued)

Change in accounting policies

(i) 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company’s unaudited condensed interim consolidated financial statements.

(ii) 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company’s unaudited condensed interim consolidated financial statements.

(iii) 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company’s unaudited condensed interim consolidated financial statements.

(iv) IFRS 13 – Fair Value Measurement is effective for the Company beginning on January 1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The Company's adoption of IFRS 13, on January 1, 2013, did not have a material financial impact upon the unaudited condensed interim consolidated financial statements, however, certain new or enhanced disclosures are required and can be found in note 18.

(v) 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company’s unaudited condensed interim consolidated financial statements.

(vi) IAS 27 - Separate Financial Statements (“IAS 27”) was effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company’s unaudited condensed interim consolidated financial statements.

The Uranium Discovery Company

U308 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2013
(Expressed in Canadian Dollars)
(Unaudited)

3. Significant accounting policies (continued)

Change in accounting polices (continued)

(vii) IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. At January 1, 2013, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(viii) In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the cost can be reliably measured and the entity can identify the component of the ore body for which access has been improved. Retrospective application of this interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. At January 1, 2013, there was no material impact on the Company's unaudited condensed interim consolidated financial statements from this interpretation.

(ix) IFRS 7 — Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. At January 1, 2013, the Company adopted the amendments to IFRS 7 and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements

(i) 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, 2015. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

(ii) IAS 32 - Financial Instruments, Presentation ("IAS 32") was effectively for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The Company is currently assessing the impact of this pronouncement.

The Uranium Discovery Company

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U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2013
(Expressed in Canadian Dollars)
(Unaudited)

4. Property and equipment

COST

| | Mobile and drilling equipment | Field equipment | Vehicles | Furniture and fixtures | Total |
|--------------------------------|-------------------------------------|---------------------|------------------|---------------------------|---------------------|
| Balance, December 31, 2012 | \$ 1,626,526 | \$ 1,899,676 | \$ 62,695 | \$ 151,928 | \$ 3,740,825 |
| Balance, March 31, 2013 | \$ 1,626,526 | \$ 1,899,676 | \$ 62,695 | \$ 151,928 | \$ 3,740,825 |

ACCUMULATED AMORTIZATION

| | Mobile and drilling equipment | Field equipment | Vehicles | Furniture and fixtures | Total |
|--------------------------------|-------------------------------------|--------------------|------------------|---------------------------|---------------------|
| Balance, December 31, 2012 | \$ 1,217,792 | \$ 879,719 | \$ 55,190 | \$ 91,860 | \$ 2,244,561 |
| Amortization for the period | 30,655 | 53,658 | 563 | 3,801 | 88,677 |
| Balance, March 31, 2013 | \$ 1,248,447 | \$ 933,377 | \$ 55,753 | \$ 95,661 | \$ 2,333,238 |

CARRYING AMOUNTS

| | Mobile and drilling equipment | Field equipment | Vehicles | Furniture and fixtures | Total |
|--------------------------|-------------------------------------|--------------------|-----------------|---------------------------|---------------------|
| At December 31, 2012 | \$ 408,734 | \$ 1,019,957 | \$ 7,505 | \$ 60,068 | \$ 1,496,264 |
| At March 31, 2013 | \$ 378,079 | \$ 966,299 | \$ 6,942 | \$ 56,267 | \$ 1,407,587 |

5. Cash and cash equivalents

| | As at March 31, 2013 | As at December 31, 2012 |
|----------------------------|----------------------------|-------------------------------|
| Cash | \$ 161,923 | \$ 1,279,948 |
| Restricted cash (a) | 138,199 | 149,380 |
| Total Cash position | \$ 300,122 | \$ 1,429,328 |

(a) As at March 31, 2013, the Company had entered into several letters of guarantee in the amount of \$133,299 (December 31, 2012 - \$144,400) with respect to regulations for all Prospecting Licences issued to the Company in Guyana.

In addition, the Company had a letter of guarantee totaling \$4,900 (December 31, 2012 - \$4,980) that is required by the Company for exploration activities in Guyana. In April 2013, the letter of guarantee was cancelled.

The Uranium Discovery Company

U308 CORP

U3O8 Corp.

Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2013
(Expressed in Canadian Dollars)
(Unaudited)

6. Amounts receivable and other assets

| | As at March 31, 2013 | As at December 31, 2012 |
|--|----------------------------|-------------------------------|
| Sales tax receivable - (Canada) | \$ 46,139 | \$ 56,308 |
| Due from Minexco Minerals Corp. (note 10(a)) | 186,653 | 249,936 |
| Deposits with service providers | 283,526 | 333,128 |
| | \$ 516,318 | \$ 639,372 |

7. Share capital

a) Authorized share capital

At March 31, 2013, 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, 2013, the issued share capital amounted to \$81,630,596. The change in issued share capital for the periods was as follows:

| | Number of common shares | Amount |
|--|-------------------------------|----------------------|
| Balance, December 31, 2011 | 102,676,658 | \$ 62,068,233 |
| Issue of securities, net of transaction costs (i) | 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 |
| Balance, December 31, 2012 | 127,830,495 | \$ 73,668,634 |
| Issue of securities, net of transaction costs (ii) | 10,525,000 | 1,893,449 |
| Warrant expiry | - | 6,068,513 |
| Balance, March 31, 2013 | 138,355,495 | \$ 81,630,596 |

The Uranium Discovery Company

U3O8 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2013

(Expressed in Canadian Dollars)

(Unaudited)

7. Share capital (continued)

b) Common shares issued (continued)

(i) On February 9, 2012, the Company closed its private placement bought deal offering to raise aggregate 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.

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 two 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 two 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.

The Uranium Discovery Company

U308 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2013
(Expressed in Canadian Dollars)
(Unaudited)

7. Share capital (continued)

b) Common shares issued (continued)

(ii) On January 11, 2013, the Company completed a non-brokered private placement for gross proceeds of \$2,315,500 through the issuance of 10,525,000 units ("Unit Placement") at \$0.22 per Unit Placement (the "Security Offering"). Of this total, 525,000 units were purchased for cash consideration, and 10,000,000 units were purchased in consideration of an aggregate of 2,528,736 common shares of Pinetree Capital Ltd. which were issued to the Company at closing.

Sheldon Inwentash, a director of the Company is the chairman, chief executive officer and director of Pinetree Capital Ltd.

Each Unit Placement consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at \$0.30 per common share for a period of 24 months.

All securities issued under the Security Offering are subject to a statutory 4-month hold period expiring on May 12, 2013.

A value of \$421,000 was estimated for the 5,262,500 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 94% using the historical price history of the Company; risk-free interest rate of 1.19%; and an expected average life of two years.

Total share issue costs of \$1,285 were charged and allocated \$1,051 to share capital and \$234 to warrants.

On March 31, 2013, the value of the Pinetree Capital Ltd. common shares held by the Company was determined to be \$1,517,242 using the bid price of \$0.60.

The Uranium Discovery Company

U308 CORP

U308 Corp.

Notes to Condensed Interim Consolidated Financial Statements Three Months Ended March 31, 2013 (Expressed in Canadian Dollars) (Unaudited)

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, 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 |
| Balance, December 31, 2012 | 9,986,250 | 0.44 |
| Granted (a) | 298,000 | 0.28 |
| Cancelled | (400,000) | 0.44 |
| Balance, March 31, 2013 | 9,884,250 | 0.44 |

(a) On January 11, 2013, the Company granted 298,000 stock options to employees pursuant to the Company's stock option plan. The stock options were issued at an exercise price of \$0.28, vest over 18 months and will expire on January 11, 2018. For the purposes of the 298,000 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 93% using the historical price history of the Company; risk-free interest rate of 1.41%; and an expected average life of three years. The estimated value of \$48,872 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 July 11, 2013, 25% on January 11, 2014 and 25% on July 11, 2014. For the three months ended March 31, 2013, the impact on expenses was \$23,418. (cumulative to March 31, 2013 - \$23,418).

Stock option volatility was based on historical volatility of the common shares, which is assumed to be an appropriate and approximate proxy for future volatility of a stock option instrument granted for the underlying common shares.

The portion of the estimated fair value of options granted in the current and prior periods and vesting during the periods ended March 31, 2013 and March 31, 2012, which have been reflected in the unaudited condensed interim consolidated statements of comprehensive loss are as follows:

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------------|
| | 2013 | 2012 |
| Canada | | |
| Share-based payments in salaries and benefits | \$ 33,764 | \$ 42,763 |
| Guyana, South America | | |
| Share-based payments in salaries and benefits | 11,516 | 17,038 |
| Colombia, South America | | |
| Share-based payments in salaries and benefits | 39,572 | 22,093 |
| Argentina, South America | | |
| Share-based payments in salaries and benefits | 18,598 | 22,121 |
| Total | \$ 103,450 | \$ 104,015 |

The Uranium Discovery Company

U308 CORP

U308 Corp.**Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2013
(Expressed in Canadian Dollars)
(Unaudited)**

8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of March 31, 2013:

| Expiry date | Exercise price (\$) | Weighted average remaining contractual life (periods) | Number of options outstanding | Number of options vested (exercisable) | Number of options unvested |
|--------------------|----------------------------|--|--------------------------------------|---|-----------------------------------|
| April 30, 2013 | 0.65 | 0.08 | 40,000 | 40,000 | - |
| June 26, 2013 | 0.80 | 0.24 | 166,250 | 166,250 | - |
| September 8, 2014 | 0.35 | 1.44 | 327,500 | 327,500 | - |
| May 4, 2015 | 0.41 | 2.09 | 2,562,500 | 2,562,500 | - |
| June 4, 2015 | 0.24 | 2.18 | 150,000 | 150,000 | - |
| November 25, 2015 | 0.73 | 2.65 | 230,000 | 230,000 | - |
| May 9, 2016 | 0.50 | 3.11 | 2,210,000 | 2,210,000 | - |
| May 25, 2016 | 0.45 | 3.15 | 200,000 | 200,000 | - |
| August 24, 2016 | 0.26 | 3.40 | 370,000 | 370,000 | - |
| May 23, 2017 | 0.42 | 4.15 | 3,330,000 | 1,665,000 | 1,665,000 |
| January 11, 2018 | 0.28 | 4.79 | 298,000 | 74,500 | 223,500 |
| | | 3.12 | 9,884,250 | 7,995,750 | 1,888,500 |

9. Loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2013 was based on the loss attributable to common shareholders of \$1,815,922 (three months ended March 31, 2012 – \$3,575,251) and the weighted average number of common shares outstanding of 137,069,106 (three months ended March 31, 2012 – 113,761,246). Diluted loss per share did not include the effect of 9,884,250 share purchase options and 17,892,264 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.

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10. Exploration expenditures (continued)

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

| | Three Months Ended March 31, | |
|-------------------------------------|---------------------------------|---------------------|
| | 2013 | 2012 |
| Guyana, South America (a) | | |
| Exploration activities | \$ 130,053 | \$ 701,211 |
| Salaries and benefits | 149,391 | 247,614 |
| Amortization | 32,339 | 43,878 |
| | \$ 311,783 | \$ 992,703 |
| Colombia, South America (b) | | |
| Exploration activities | \$ 344,901 | \$ 750,277 |
| Salaries and benefits | 352,236 | 367,130 |
| Amortization | 33,353 | 26,451 |
| | \$ 730,490 | \$ 1,143,858 |
| Argentina, South America (c) | | |
| Exploration activities | \$ 239,344 | \$ 635,186 |
| Salaries and benefits | 75,303 | 81,520 |
| Amortization | 21,727 | 6,137 |
| | \$ 336,374 | \$ 722,843 |
| | \$ 1,378,647 | \$ 2,859,404 |

(a) Total cumulative exploration activities incurred in Guyana, South America to March 31, 2013 amounted to \$34,238,000 (December 31, 2012 - \$33,926,217).

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 the then outstanding shares) ("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.

On October 10, 2012, Minexco received approval of its applications for five grassroots concessions in Guyana. Final approval was obtained on November 21, 2012 and subsequently Minexco transferred 6,428,570 Minexco Shares to the Company valued at \$0.30/each share for a total value of \$1,928,571. As at March 31, 2013, the remaining 2,571,430 common shares of Minexco were not transferred as the approval for the two remaining grassroots concessions had not been obtained.

As of March 31, 2013, Minexco owed the Company \$186,653 (December 31, 2012 - \$249,936) for reimbursement of exploration work carried out by the Company.

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10. Exploration expenditures (continued)

(b) Total cumulative exploration activities incurred in Colombia, South America to March 31, 2013 amounted to \$19,587,063 (December 31, 2012 - \$18,856,573).

(c) On March 4, 2013, the Company announced that it has signed a definitive agreement to joint venture with Avocet Resources Limited (formerly U3O8 Limited) ("Avocet") to explore the Company's 100%-owned Sierra Cuadrada Project in Chubut Province, Argentina. Through this agreement, Avocet may earn a 51% interest in the Sierra Cuadrada Project by spending US\$1 million in exploration over a maximum of four years. Avocet will manage the exploration of the project.

Total cumulative exploration activities incurred in Argentina, South America to March 31, 2013 amounted to \$10,123,882 (December 31, 2012 - \$9,787,508).

11. General and administrative

| | Three Months Ended March 31, | |
|----------------------------|---------------------------------|-------------------|
| | 2013 | 2012 |
| Salaries and benefits | \$ 199,990 | \$ 223,231 |
| Administrative and general | 71,275 | 74,799 |
| Professional fees | 108,868 | 194,076 |
| Business development | 104,272 | 69,616 |
| Reporting issuer costs | 51,095 | 48,257 |
| Amortization | 1,258 | 942 |
| | \$ 536,758 | \$ 610,921 |

12. Equity accounted investment

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

| | SAREC Investment |
|---|---------------------|
| Balance, December 31, 2012 | \$ 375,256 |
| March 31, 2013 share of losses | (29,000) |
| Balance, March 31, 2013 | \$ 346,256 |
| Loan receivable from South American Rare Earth Corp. ⁽¹⁾ | |
| March 31, 2013 | \$ 14,881 |
| December 31, 2012 | \$ 12,193 |

⁽¹⁾ Non-interest bearing, due on demand and unsecured.

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13. Warrants

| | Number of warrants | Grant date fair value (\$) |
|----------------------------|--------------------|----------------------------|
| Balance, December 31, 2011 | 26,131,940 | 7,657,028 |
| Granted (note 7(b)(i)) | 10,706,596 | 2,387,645 |
| Exercised | (435,000) | (54,500) |
| Balance, March 31, 2012 | 36,403,536 | 9,990,173 |
| Balance, December 31, 2012 | 26,082,812 | 8,603,902 |
| Granted (note 7(b)(ii)) | 5,262,500 | 420,766 |
| Expired | (13,453,048) | (6,068,513) |
| Balance, March 31, 2013 | 17,892,264 | 2,956,155 |

The following table reflects the actual warrants issued and outstanding as of March 31, 2013:

| Expiry date | Exercise price (\$) | Warrants outstanding |
|-------------------|---------------------|----------------------|
| February 9, 2014 | 0.80 | 9,602,500 |
| February 9, 2014 | 0.60 | 1,104,096 |
| December 28, 2014 | 0.30 | 1,923,168 |
| January 11, 2015 | 0.30 | 5,262,500 |
| | | 17,892,264 |

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. Loan receivable from SAREC is disclosed in note 12.

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

| | Three Months Ended March 31, | |
|----------------------------------|------------------------------|-----------|
| | 2013 | 2012 |
| John C. Ross Consulting Inc. (i) | \$ 15,000 | \$ 15,000 |

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14. Related party balances and transactions (continued)

(i) Chief Financial Officer ("CFO") fees expensed to a company controlled by the current CFO of the Company. \$16,950 is included in accounts payable and other liabilities (December 31, 2012 - \$5,650).

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

| | Three Months Ended March 31, | |
|---------------------------|---------------------------------|-------------------|
| | 2013 | 2012 |
| Salaries and benefits (*) | \$ 84,934 | \$ 78,934 |
| Share-based payments | 25,012 | 33,345 |
| | \$ 109,946 | \$ 112,279 |

(*) 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. As of March 31, 2013, directors of the Company were owed \$22,000 (December 31, 2012 - \$nil). In addition, the Chief Executive Officer of the Company was owed \$41,956 (December 31, 2012 - \$nil).

(c) Sheldon Inwentash, a director of the Company is the chairman, chief executive officer and director of Pinetree Capital Ltd. On January 11, 2013, the Company completed a non-brokered private placement for gross proceeds of \$2,315,500 where 10,000,000 units were purchased in consideration of an aggregate of 2,528,736 common shares of Pinetree Capital Ltd.

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, 2013

| | Canada | Guyana | Barbados | Colombia | Argentina | Total |
|--------------------|---------------------|-------------------|---------------------|---------------------|---------------------|----------------------|
| Current assets | \$ 1,824,026 | \$ 214,353 | \$ 1,973,762 | \$ 129,365 | \$ 24,929 | \$ 4,166,435 |
| Non-current assets | 359,510 | 632,489 | - | 7,789,508 | 3,514,187 | 12,295,694 |
| | \$ 2,183,536 | \$ 846,842 | \$ 1,973,762 | \$ 7,918,873 | \$ 3,539,116 | \$ 16,462,129 |

December 31, 2012

| | Canada | Guyana | Barbados | Colombia | Argentina | Total |
|--------------------|---------------------|-------------------|---------------------|---------------------|---------------------|----------------------|
| Current assets | \$ 1,191,856 | \$ 287,366 | \$ 2,107,360 | \$ 237,447 | \$ 36,055 | \$ 3,860,084 |
| Non-current assets | 389,706 | 676,980 | - | 7,821,953 | 3,535,913 | 12,424,552 |
| | \$ 1,581,562 | \$ 964,346 | \$ 2,107,360 | \$ 8,059,400 | \$ 3,571,968 | \$ 16,284,636 |

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16. South American property interests

| | Acquisition Costs |
|--|----------------------|
| Balance December 31, 2012 and March 31, 2013 | \$ 10,403,652 |

17. Proposed transactions

(a) On March 11, 2013, the Company announced that it signed a definitive agreement to acquire all of the shares of Calypso Uranium Corp. ("Calypso"), which transaction was completed on May 14, 2013. The acquisition adds about \$3.3 million in working capital in exchange for 20,252,327 common shares of U3O8 Corp. As a result, there are 160,632,822 shares outstanding of the Company of which approximately 13% are held by former Calypso shareholders.

Under the terms of the acquisition, Calypso shareholders received 0.40 of one common share of the Company for every one Calypso share held. Calypso stock options were converted to U3O8 Corp. on the same basis as the common shares for an additional 1,476,000 common shares of the Company that are issuable in the event that all such stock options are exercised.

(b) On March 13, 2013, the Company announced a non-brokered private placement of up to 5,000,000 million units at a price of \$0.20 per unit for total gross proceeds of up to approximately \$1.0 million. Each unit shall consist of one common share of the Company and one-half of a share purchase warrant. Each whole warrant shall entitle the holder to purchase one common share at a price of \$0.30 for a period of 24 months from the closing date. The securities issued and issuable pursuant to the non-brokered private placement will be subject to a 4-month hold period. The non-brokered private placement is subject to a number of conditions, including, without limitation, receipt of all regulatory approvals.

18. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted price (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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18. Fair value measurements (continued)

As of March 31, 2013 and December 31, 2012, none of the Company's financial instruments are recorded at fair value on the consolidated statement of financial position, except for:

March 31, 2013

| | |
|---|-----------|
| Investment in Minexco Minerals Corp. (note 10(a)) | 1,928,571 |
| Investment in Pinetree Capital Ltd. (note 7(b)(ii)) | 1,517,242 |

December 31, 2012

| | |
|---|-----------|
| Investment in Minexco Minerals Corp. (note 10(a)) | 1,928,571 |
|---|-----------|

| As at March 31, 2013 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Aggregate fair value |
|--|--|---|--|-------------------------|
| Investment in Minexco Minerals Corp. (note 10(a)) ⁽²⁾ | \$ - | \$ - | \$ 1,928,571 | \$ 1,928,571 |
| Investment in Pinetree Capital Ltd. (note 7(b)(ii)) ⁽¹⁾ | 1,517,242 | - | - | 1,517,242 |
| | \$ 1,517,242 | \$ - | \$ 1,928,571 | \$ 3,445,813 |

⁽¹⁾ Recorded at fair value. Quoted market prices are used to determine fair value.

⁽²⁾ Private company.

Valuation technique

Marketable securities

The fair value of marketable securities is determined based on the closing price of each security at the statement of financial position date. The closing price is a quoted market bid price obtained from the exchange that is the principal active market for the particular security, and therefore marketable securities are classified within Level 1 of the fair value hierarchy.

The fair value of shares of a private entity, is determined by an agreement between the Company and the arm's length party the shares were acquired from. At the statement of financial position date, the Company used the latest transaction price for these securities, obtained from the entity, to value the marketable securities.

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19. Subsequent events

(a) On April 15, 2013, the Company closed the first tranche of its non-brokered private placement described in note 17(b). Gross proceeds of \$405,000 were raised through the issue of 2,025,000 units ("Units") at \$0.20 per Unit (the "Offering"). Each Unit consisted of one common share of the Company ("Common Share") and one-half of a share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one Share at \$0.30 per Common Share for a period of 24 months. All securities issued under the Offering are subject to a statutory 4-month hold period expiring on August 16, 2013. Transaction costs of \$5,100 were paid in connection with the closing of the first tranche.

(b) On April 30, 2013, 40,000 stock options with an exercise price of \$0.65 expired unexercised.

(c) See note 17(a).