



**U308 CORP.**  
**(A DEVELOPMENT STAGE COMPANY)**  
Management's Discussion & Analysis

Three and Nine Months Ended September 30, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**U308 CORP.**  
**(A DEVELOPMENT STAGE COMPANY)**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007**  
**(UNAUDITED)**

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**Introduction**

The Management's Discussion and Analysis ("MD&A") of U308 Corp. ("U308") or the ("Corporation") provides an analysis of the Corporation's performance and financial condition for the three and nine months ended September 30, 2007 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Corporation's unaudited consolidated interim financial statements for the three and nine months ended September 30, 2007 and audited consolidated financial statements for the year ended December 31, 2006, including the related note disclosures, which are prepared in accordance with generally accepted accounting principles in Canada ("GAAP"). Readers of the following MD&A should also refer to the Corporation's audited financial statements from the date of inception (December 6, 2005 being the date of incorporation) to December 31, 2005. All amounts are in Canadian dollars unless otherwise specified. This MD&A is dated, and was prepared using information that is current as of November 22, 2007 unless otherwise stated. The Corporation's consolidated financial statements along with management certifications, press releases, technical reports and final long form prospectus dated December 15, 2006, are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

**Caution Regarding Forward-Looking Statements**

This MD&A may contain forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Corporation are set out below under "Risks and Uncertainties". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

**About U308**

U308 is a Canadian junior exploration company engaged in acquiring and exploring mineral properties for uranium. To date, U308 has not earned any revenues from uranium exploration and is considered to be in the development stage.

The goal of U308 is to deliver returns to shareholders by concentrating on uranium exploration in Guyana, South America, through its subsidiary Prometheus Resources (Guyana) Inc. ("Prometheus Guyana"). The Corporation plans to do this by focusing on certain "Reconnaissance Permits" (consisting collectively of Permit "A" and Permit "B"), as described below.

Permit "A" was granted to Prometheus Guyana on November 28, 2005, and allows permission to carry out geological, geophysical and other surveys within an area of approximately 579,417 hectares located in the Cuyuni/Mazaruni and Potaro Mining Districts of Guyana, and excludes areas lawfully occupied or applied for prior to September 22, 2005, navigable rivers and Amerindian lands. Permit "A" provides Prometheus Guyana with the right to occupy the Permit "A" area for three years commencing November 23, 2005 in order to conduct geological and geophysical surveys for uranium. In connection with Permit "A", Prometheus Guyana is obligated to pay to the Government of Guyana in advance, a non-refundable fee of US\$15,000 for the first year (paid), US\$20,000 for the second year (paid) and US\$30,000 for the third year. Permit "A" grants Prometheus Guyana the right to apply for, and be granted by the Guyana Geological and Mines Commission ("GGMC"), up to 15 prospecting licenses (each consisting of areas of approximately 202 hectares to approximately 4,856 hectares) for uranium, provided that it has satisfied the requirements of Permit "A" and of the GGMC.



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Permit "B" was granted to Prometheus Guyana on June 1, 2006, and allows permission to carry out geological, geophysical and other surveys within an area of approximately 746,309 hectares located in the Potaro, Cuyuni/Mazaruni and Rupununi Mining Districts of Guyana, and excludes areas lawfully occupied or applied for prior to May 2, 2006, navigable rivers and Amerindian lands. Permit "B" provides Prometheus Guyana with the right to occupy the Permit "B" area for three years commencing May 31, 2006 in order to conduct geological and geophysical surveys for radioactive minerals and rare earth elements, which include uranium. In connection with the Permit "B", Prometheus Guyana is obligated to pay to the Government of Guyana in advance, a non-refundable fee of US\$25,000 for the first year (paid), US\$35,000 for the second year (paid) and US\$50,000 for the third year. Permit "B" grants Prometheus Guyana the right to apply for, and be granted by the GGMC, up to 20 prospecting licenses (each consisting of areas of approximately 202 hectares to approximately 4,856 hectares) for radioactive minerals and rare earth elements, provided that it has satisfied the requirements of Permit "B" and the GGMC.

**Overall Performance**

**(a) Trends analysis**

The Corporation anticipates that it will continue to experience net losses as a result of ongoing exploration in Guyana and general corporate and administrative costs and expenses until such time, if any, as revenue generating activity is commenced. The Corporation's future financial performance is dependent on many external factors. Both the price of, and the market for, uranium are volatile, difficult to predict and subject to changes in domestic and international political, social and economic environments. These circumstances and events could materially affect the future financial performance of the Corporation. The Corporation is not currently aware of any trend, event or uncertainty that can reasonably be expected to have a material adverse effect on the business, financial condition, or operating results of the Corporation other than as described in "Risks and Uncertainties".

**(b) Highlights**

- The Corporation's cash resources are held in Canada with the Royal Bank of Canada and the Bank of Nova Scotia in bank backed guaranteed investment certificates and cash balances. Minor amounts of cash are held in foreign countries to facilitate operations in Guyana;
- The Corporation completed its 15 hole Phase I diamond drilling program at the Aricheng Area, located in Permit Area "A" in Guyana. The Phase I program was intended to be a 16 hole program but due to extensive rainfall, the Corporation altered the program to 15 holes;
- The Corporation's Phase II drilling program is ongoing. To date, 24 holes have been completed and the Corporation is waiting for assay results from Phase II drilling;
- The Corporation is making an application for one prospecting license for uranium in Guyana. There are no assurances that the prospecting license will be issued to the Corporation from the GGMC;
- The Corporation is focusing its efforts on regional reconnaissance field work in areas that were identified by the airborne radiometric survey conducted in fiscal 2006; and
- The Corporation is conducting an aerial radiometric survey of the exposed Roraima basement unconformity to provide detailed results related to the underlying unconformity.



**(c) Current activities**

Phase I drilling program

The Corporation's Phase I drilling program focused on Aricheng North (approximately 4 square kilometres), Aricheng South (approximately 1.5 square kilometres), and Aricheng West (approximately 1.4 square kilometres). These three anomalies are the first of 43 anomalies that were identified by the 1,800 km<sup>2</sup> airborne radiometric survey conducted in the fourth quarter of 2006, to be explored by U308 Corp.

Significant results from our Phase I drill program include:

- **Hole ARS-001**  
0.121% U3O8 (2.42 lbs. per ton) over 17.5 meters
- **Hole ARS-002**  
0.301% U3O8 (6.02 lbs. per ton) over 3.5 meters  
0.115% U3O8 (2.30 lbs. per ton) over 6.5 meters  
0.202% U3O8 (4.04 lbs. per ton) over 4.0 meters
- **Hole ARS-003**  
0.104% U3O8 (2.08 lbs. per ton) over 8.0 meters
- **Hole ARN-003**  
1.70% (34.0 lbs per ton) U3O8 over 1.0 meter included within  
0.23% (4.66 lbs. per ton) U3O8 over 11 meters
- **Hole ARN-006**  
0.40% (7.90 lbs. per ton) U3O8 over 2.0 meters included within  
0.22% (4.42 lbs. per ton) U3O8 over 9.0 meters

Phase II drilling program

The Corporation's Phase II drilling program in the Aricheng area, located in Permit "A" is completed at Aricheng North and is in progress at Aricheng South and Aricheng West. These three areas have been prioritized for follow-up drilling based on results from the Phase I drilling program in combination with the interpretation of the limited historical data set.

Phase II drilling at Aricheng North consisted of 20 holes for a total of approximately 2,730 meters which concentrated on extending mineralization along strike and at depth in two zones identified from Phase I drilling.

The Corporation is currently drilling Aricheng South and Aricheng West where a minimum combined total of 2,280 meters in 19 holes will be drilled to test for mineralization along strike.

The exploration focus to date has been on basement hosted uranium mineralization in the Kurupung Batholith. Approximately 35 km<sup>2</sup> have been explored in the Aricheng area. There are 25 targets identified by the airborne radiometric survey that are hosted by the 360 km<sup>2</sup> Kurupung Batholith.



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To date, 24 holes have been completed and the Corporation is waiting for assay results from Phase II drilling.

Prospecting license application

The Corporation has made an application for one prospecting license for uranium in Guyana. The Corporation is awaiting a response from the GGMC.

There are no assurances that the prospecting license will be issued to the Corporation from the GGMC.

Regional reconnaissance field work

Four additional radioactive anomalies have been identified in the Accori area, located six km west of the Aricheng camp as part of the ongoing regional reconnaissance program in Permit "A". These anomalies will be drill tested following completion of Phase II drilling at Aricheng.

Aerial radiometric survey

The Corporation is conducting an additional airborne radiometric survey focusing on the unconformity between the Roraima Formation and basement rocks in Permit "B" and Permit "A". The survey will utilize a Bell Long Ranger helicopter that has the capacity to follow the steep undulating topography near the Roraima escarpment and its ability to fly at lower speeds and elevations will allow for better data collection.

The work is an extension of the data gathered in the 14,000 line kilometer airplane radiometric program performed in the fall of 2006. For safety reasons, the airplane was limited in its ability to fly close to the escarpment and this helicopter survey will greatly enhance our ability to detect new targets and provide details of anomalies previously identified.

The 12,000 line kilometer survey involves a spectrometer that utilizes a 1024 cubic inch NaI crystal to measure gamma radiation. During the course of the four-week program, radiometric data will be collected parallel to and in close proximity to the escarpment which defines the thinner leading edge of the Roraima basin. The survey will also include radiometric reconnaissance of the river drainages that perforate the escarpment edges.

Once the survey has been completed, the data will be compiled and analyzed. This data along with surface reconnaissance work already underway at the base of the escarpment will aid in identifying potential, unconformity-related uranium mineralization and potential drill targets.

Summary

The results obtained from Phase I drilling indicate the presence of strong uranium mineralization. Reconnaissance exploration is underway on the airborne radiometric anomalies within the Kurupung Batholith to generate additional drill targets. At the date of this MD&A, the Corporation's Phase II drill program is underway. It consists of additional drilling at Aricheng and preliminary drill testing of targets developed from the ongoing reconnaissance program.

There is no guarantee that the Corporation will discover a viable uranium resource from the above mentioned activities.



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**(d) Industry and economic factors affecting U308**

The following factors may affect U308's performance:

- U308's future performance will be largely tied to the outcome of future drilling results; public markets relating to junior exploration companies, as well as the price and market for uranium.
- Any decrease in the price of uranium could have an adverse effect on the Corporation's business and financial results. The Corporation mitigates this risk by having no debt and limits credit and interest rate risks to interest bearing assets in cash and cash equivalents. Accounts payable and accrued liabilities are short-term and non-interest bearing.

**(e) Conclusion regarding overall performance**

To date, the Corporation has completed its 15 hole Phase I diamond drilling program and has begun its Phase II drilling program and is waiting for assay results on 24 holes drilled. U308's performance will be largely tied to the outcome of the exploration program in Guyana.

**Financial Summary**

Nine months ended September 30, 2007 compared with nine months ended September 30, 2006

Net loss for the nine months ended September 30, 2007 was \$4,731,893 an increase of \$3,526,072 compared with the same period last year. Basic and diluted loss per share for the nine months ended September 30, 2007 was \$0.21, an increase of \$0.07, or 50% compared with the same period last year. The increase in net loss was principally due to:

- An increase of \$1,900,620 in exploration expenses (excluding stock-based compensation) in Guyana for the nine months ended September 30, 2007, compared with the same period last year. The increase in exploration activity can be attributed to the Corporation complying with its recommended work program as disclosed in the Corporation's prospectus dated December 15, 2006;
- An increase of \$1,371,214 in stock-based compensation expense during the nine months ended September 30, 2007, compared with the same period last year, mainly due to: (i) the granting of 90,000 stock options to two geologists during the period and (ii) the vesting of stock options issued prior to 2007. Correspondingly, there was no stock-based compensation expense during the nine months ended September 30, 2006;
- An increase of \$37,500 in directors' compensation expense during the nine months ended September 30, 2007, compared with same period last year. Each director of the Corporation is paid \$10,000 per annum;
- An increase of \$55,500 in management compensation expense during the nine months ended September 30, 2007, compared with the same period last year;
- An increase of \$387,675 in foreign exchange loss during the nine months ended September 30, 2007, compared with the same period last year. The increase in foreign exchange loss can be attributed to the effect of recent currency changes between the Canadian dollar and the United States dollar. In particular, funds held in United States dollars as of September 30, 2007 were converted to Canadian dollars at period end rates which created a loss. In addition, exploration activities in Guyana funded in United States dollars also contributed to the loss;



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- Significant transitional growth in the past twenty two months. Accordingly general operating expenses have increased inline with the growth. Investor relations, professional fees, reporting issuer costs and administrative and general costs have all increased as the Corporation moved to meet the needs of an increased shareholder base, regulatory requirements and corporate activity. The Corporation continues to assess these costs to ensure that cost effective choices are being made; and
- The increases in expenses during the nine months ended September 30, 2007 were offset by an increase in interest income of \$750,458. The Corporation earned interest on liquid fixed income securities included in cash and cash equivalents from funds raised from the initial public offering which occurred in December 2006.

Three months ended September 30, 2007 compared with three months ended September 30, 2006

Net loss for the three months ended September 30, 2007 was \$2,014,826 an increase of \$1,323,688 compared with the same period last year. Basic and diluted loss per share for the three months ended September 30, 2007 was \$0.09, an increase of \$0.02, or 29% compared with the same period last year. The increase in net loss was principally due to:

- An increase of \$599,182 in exploration expenses (excluding stock-based compensation) in Guyana for the three months ended September 30, 2007, compared with the same period last year. The increase in exploration activity can be attributed to the Corporation complying with its recommended work program as disclosed in the Corporation's prospectus dated December 15, 2006;
- An increase of \$264,868 in stock-based compensation expense during the three months ended September 30, 2007, compared with the same period last year, mainly due to: (i) the vesting of 90,000 stock options that were granted during the year to two geologists and (ii) the vesting of stock options issued prior to 2007. Correspondingly, there was no stock-based compensation expense during the three months ended September 30, 2006;
- An increase of \$12,500 in directors' compensation expense during the three months ended September 30, 2007, compared with same period last year. Each director of the Corporation is paid \$10,000 per annum;
- An increase of \$18,500 in management compensation expense during the three months ended September 30, 2007, compared with the same period last year;
- An increase of \$440,762 in foreign exchange loss during the three months ended September 30, 2007, compared with the same period last year. The increase in foreign exchange loss can be attributed to the effect of recent currency changes between the Canadian dollar and the United States dollar. In particular, funds held in United States dollars as of September 30, 2007 were converted to Canadian dollars at period end rates which created a loss. In addition, exploration activities in Guyana funded in United States dollars also contributed to the loss;
- General operating expenses have increased inline with the growth. Investor relations, professional fees, reporting issuer costs and administrative and general costs have all increased as the Corporation moved to meet the needs of an increased shareholder base, regulatory requirements and corporate activity; and
- The increases in expenses during the three months ended September 30, 2007 were offset by an increase in interest income of \$241,065. The Corporation earned interest on liquid fixed income securities included in cash and cash equivalents from funds raised from the initial public offering which occurred in December 2006.



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**Results of Operations**

The Corporation through its subsidiary, Prometheus Guyana, concentrated its efforts on the development of its Reconnaissance Permit uranium properties in Guyana. In order for the uranium properties to be profitable the asset must be developed into an economically viable uranium resource.

In order to explore for uranium, the Corporation filed a final prospectus dated December 15, 2006 and raised net proceeds of \$28,323,700. The Corporation's proposed use of proceeds in accordance with the final prospectus dated December 15, 2006, less adjustments, are as follows:

**(Unaudited)**

| <b>Use of Proceeds</b>  | <b>Proposed Use of Proceeds Per Final Prospectus dated December 15, 2006</b> | <b>Revised Use of Proceeds as of September 30, 2007</b> | <b>Net Funds Change from Amounts Disclosed in Receipted Prospectus to September 30, 2007</b> |
|---|--|---|--|
| (i) Complete Phase I and, if warranted, Phase II of the recommended program for the areas underlying the Reconnaissance Permits | \$11,695,248   | \$7,785,132   | \$3,910,116  |
| (ii) Optional expenses to fund future growth plans  | 760,000  | 400,000   | 360,000  |
| (iii) Payments to the Government of Guyana – Canadian dollar equivalent   | nil  | 79,584  | (79,584)   |
| <b>Use of Proceeds</b>  | <b>\$12,455,248</b>  | <b>\$8,264,716</b>                                      | <b>\$4,190,532</b>   |

(i) For the three and nine months ended September 30, 2007, the Corporation has spent \$1,141,766 and \$2,641,337 respectively (three and nine months ended September 30, 2006 - \$542,584 and \$693,923) in exploration expenditures in furtherance of the recommended work programs in Guyana. These amounts exclude stock-based compensation and Permit "A" and Permit "B" acquisition costs. The Corporation anticipates spending all the funds raised within three years.



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As of September 30, 2007, a summary of funds spent to date is as follows:

| <b>(Unaudited)</b>                                    | <b>\$</b> |
|---|-----------|
| Funds spent from April 19, 2006 to September 30, 2006 | 693,923   |
| Funds spent from October 1, 2006 to December 31, 2006 | 574,856   |
| Funds spent from January 1, 2007 to March 31, 2007    | 594,879   |
| Funds spent from April 1, 2007 to June 30, 2007       | 904,692   |
| Funds spent from July 1, 2007 to September 30, 2007   | 1,141,766 |
| Note: amounts exclude stock-based compensation        | 3,910,116 |

The funds spend to date represent Reconnaissance Permit "A" exploration costs; Reconnaissance Permit "B" exploration costs; Project administration and general costs; and exploration camp maintenance costs.

(ii) This amount represents expenses over the course of the ensuing 27 months which are not committed but required to fund the future growth plans of the Corporation, and include: (i) helicopter support to perform exploratory work on the Permit "B" area (\$150,000); (ii) investor relations and business development (\$200,000); and contingencies (\$50,000).

For the three months ended March 31, 2007, the Corporation acquired drilling equipment and accessories for a total amount of \$607,785. Management made an initial estimate of \$360,000 for the acquisition of drilling equipment and accessories. A unique opportunity arose to purchase additional drilling equipment and accessories at preferential pricing. Management took advantage of this opportunity at a significant long-term cost saving to the Corporation.

(iii) The following payments must be made to the Government of Guyana by the dates below to maintain the Reconnaissance Permits in good standing:

**(Unaudited)**

| <u>Permit "A" Costs</u> |            | <u>Permit "B" Costs</u> |            |
|-------------------------|------------|-------------------------|------------|
| Date                    | Amount     | Date                    | Amount     |
| November 2007           | US\$30,000 | June 2008               | US\$50,000 |

For the three and nine months ended September 30, 2007, the Corporation paid the Government of Guyana \$nil and US\$35,000 to maintain Permit "B" in good standing.



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**Selected Quarterly Information**

| <b>(Unaudited)</b><br><b>Three Months Ended</b> | <b>Net loss</b><br><b>\$</b> | <b>Basic and diluted loss per share</b><br><b>\$</b> |
|---|------------------------------|--|
| 2007-September 30                               | (2,014,826) <sup>(1)</sup>   | (0.09)   |
| 2007-June 30                                    | (1,468,745) <sup>(2)</sup>   | (0.06)   |
| 2007-March 31                                   | (1,248,322) <sup>(3)</sup>   | (0.06)   |
| 2006-December 31                                | (1,510,674) <sup>(4)</sup>   | (0.17)   |
| 2006-September-30                               | (691,138) <sup>(5)</sup>     | (0.07)   |
| 2006-June -30                                   | (421,859) <sup>(6)</sup>     | (0.04)   |
| 2006-March-31                                   | (92,824) <sup>(7)</sup>      | (0.01)   |
| 2005-December-31                                | (18,493) <sup>(8)</sup>      | (0.00)   |

Notes:

- (1) Net loss of \$2,014,826 principally relates to a vesting amount of \$264,868 regarding 1,960,000 stock options that were issued on December 15, 2006 and 90,000 stock options that were issued on March 6, 2007 and exploration expenditures in Guyana in the amount \$1,141,766 (excludes stock-based compensation of \$96,568). In addition, a foreign exchange loss of \$431,709 contributed to the net loss during the period. The foreign exchange loss can be attributed to the effect of currency changes during the period between the Canadian dollar and the United States dollar. In particular, funds held in United States dollars as of September 30, 2007 were converted to Canadian dollars at period end rates which created a loss. In addition, exploration activities in Guyana funded in United States dollars also contributed to the loss. All other expenses relate to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$241,456.
- (2) Net loss of \$1,468,745 principally relates to a vesting amount of \$472,734 regarding 1,960,000 stock options that were issued on December 15, 2006 and 90,000 stock options that were issued on March 6, 2007 and exploration expenditures in Guyana in the amount \$904,692 (excludes stock-based compensation of \$136,130). All other expenses relate to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$257,354.
- (3) Net loss of \$1,248,322 principally relates to a vesting amount of \$633,612 regarding 1,960,000 stock options that were issued on December 15, 2006 and 90,000 stock options that were issued on March 6, 2007 and exploration expenditures in Guyana in the amount \$594,879 (excludes stock-based compensation of \$235,306). All other expenses relate to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$257,077.
- (4) Net loss of \$1,510,674 principally relates to a vesting amount of \$595,595 regarding 1,960,000 stock options that were issued on December 15, 2006 and exploration expenditures in Guyana in the amount \$599,642 (excludes stock-based compensation of \$158,016). All other expenses relate to general working capital purposes.
- (5) Net loss of \$691,138 principally relates to exploration work in Guyana in the amount \$542,584. All other expenses relate to general working capital purposes.
- (6) Net loss of \$421,859 principally relates to exploration work in Guyana in the amount \$198,133, business development costs of \$102,161 and accrued consulting fees of \$42,000 to related parties. All other expenses relate to general working capital purposes.
- (7) Net loss of \$92,824 principally relates to business development costs of \$31,577, public relation costs of \$18,693 and consulting fees of \$42,000 to related parties. All other expenses relate to general working capital purposes.
- (8) Net loss of \$18,493 principally relates to professional fees in the amount of \$10,000 that were expensed during the period consisting of \$8,000 for audit services paid or accrued to an independent accounting firm, and \$2,000 paid or accrued to a related party to maintain the Corporation's accounting records.



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**Liquidity and Capital Resources**

The activities of the Corporation, principally the acquisition and exploration of properties for uranium, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. For the periods indicated, the following equity transactions were completed:

Three months ended March 31, 2007

- On February 9, 2007 and March 6, 2007, 81,500 broker warrants were exercised for aggregate proceeds of \$203,750.

Three months ended June 30, 2007

- On April 27, 2007, May 8, 2007, May 15, 2007 and June 14, 2007, 76,200 broker warrants were exercised for aggregate proceeds of \$190,500.

Three months ended September 30, 2007

- No transactions occurred.

As at September 30, 2007, U308 had \$24,049,348 in cash and cash equivalents, compared with \$28,563,589 at December 31, 2006. Working capital as of September 30, 2007 was \$23,868,277 compared with \$28,080,351 at December 31, 2006. The decrease was mainly due to the acquisition of property and equipment in the amount of \$1,448,785, exploration expenditures spent in Guyana in the amount of \$2,641,337 and funds spent on general corporate and administrative costs. The decrease was offset by interest income received during the nine months ended September 30, 2007 in the amount of \$755,887. The Corporation earned interest on short-term investments included in cash and cash equivalents from funds raised from the initial public offering which occurred in December 2006.

U308 is a junior uranium exploration corporation in the development stage, and therefore, the Corporation must utilize its current cash reserves, income from investments, funds obtained from the exercise of broker warrants and stock options and other financing transactions to maintain the Corporation's capacity to meet the planned exploration in Guyana, or to fund any further development activities. See Risks and Uncertainties on page 16 of this MD&A.

The Corporation has no operating revenues and relies on external financings to generate capital. As a result, U308 continues to incur net losses.

As of September 30, 2007, the Corporation had 23,057,700 Common Shares issued and outstanding, 568,300 broker warrants outstanding which would raise \$1,420,750 if exercised in full, and 2,050,000 options outstanding which would raise \$5,226,700 if exercised in full.

The Corporation continues to be debt free and its credit and interest rate risk is limited to interest bearing assets of cash and cash equivalents, and short-term investments. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Corporation has no financial commitments or obligations beyond those optional budgeted payments required to fund the proposed work programs on the Permit "A" area and Permit "B" area in the amount of \$8,264,716 (see "Results of Operations" on page 8 of this MD&A) and management compensation of



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\$16,667 per month for the CEO and \$3,500 per month for the CFO of the Corporation, pending finalization of definitive management agreements.

Further, the Corporation must make payments totalling \$79,584 to the Government of Guyana to maintain the Reconnaissance Permits in good standing (see "Results of Operations" on page 8 of this MD&A).

In addition to the financial commitments set forth above, the Corporation has allocated approximately \$400,000 for future expenses over the course of the ensuing 27 months which are not committed but required to fund the future growth plans of the Corporation (see "Results of Operations" on page 8 of this MD&A).

The Corporation's liquidity risk with financial instruments is minimal as excess cash is invested with the Royal Bank of Canada and the Bank of Nova Scotia in bank backed guaranteed investment certificates. In addition, receivables are comprised mainly of Federal Goods and Services Tax (Canada) recoveries.

The Corporation has a short operating history which limits planning knowledge, but management expects no major change in liquidity requirements.

**Related Party Transactions**

The CFO, Carmelo Marrelli, is a partner in Duguay & Ringler Corporate Services ("D&R"), a firm which provides corporate secretarial and accounting services to U308. During the three and nine months ended September 30, 2007, U308 expensed \$8,250 and \$24,750 respectively, compared with \$3,500 and \$8,000 during the three and nine months ended September 30, 2006 respectively, for services rendered by D&R. As at September 30, 2007, D&R was owed \$3,519, compared with \$8,531 at September 30, 2006. The amount owing was included in accounts payable and accrued liabilities.

For the three and nine months ended September 30, 2007, the Corporation was charged \$60,500 and \$181,500 respectively, compared with \$42,000 and \$126,000 for the three and nine months ended September 30, 2006 respectively, for management and consulting services rendered by two officers and a director of the Corporation. The two officers and director charges were allocated as follows:

| <b>(Unaudited)</b>     | <b>Three months ended September 30, 2007</b> | <b>Three months ended September 30, 2006</b> | <b>Nine months ended September 30, 2007</b> | <b>Nine months ended September 30, 2006</b> |
|------------------------|--|--|---|---|
|                        | <b>\$</b>                                    | <b>\$</b>                                    | <b>\$</b>                                   | <b>\$</b>                                   |
| Allan Ibbitson, CEO    | 50,000                                       | 21,000                                       | 150,000                                     | 63,000                                      |
| Carmelo Marrelli, CFO  | 10,500                                       | -  | 31,500                                      | -   |
| Keith Barron, Director | -  | 21,000                                       | -   | 63,000                                      |

\$3,672 was included in accounts payable and accrued liabilities at September 30, 2007, compared with \$149,833 at September 30, 2006, owing to the above noted related parties as follows:

| <b>(Unaudited)</b>     | <b>As at September 30, 2007</b> | <b>As at September 30, 2006</b> |
|------------------------|---------------------------------|---------------------------------|
|                        | <b>\$</b>                       | <b>\$</b>                       |
| Allan Ibbitson, CEO    | 3,672                           | 86,833                          |
| Keith Barron, Director | -                               | 63,000                          |



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During the nine months ended September 30, 2006, 2,250,000 common shares were issued to Keith Barron at a deemed price of \$0.001 per share in satisfaction of the consideration owing by the Corporation to Keith Barron in exchange for all of the issued and outstanding shares of Prometheus Resources (Barbados) Inc., all pursuant to a Share Purchase Agreement as disclosed in the final prospectus dated December 15, 2006.

These transactions are in the normal course of operations and are measured at the exchange value (the amount established and agreed to by the related parties), which approximates the arm's length equivalent value.

**Off-Balance Sheet Arrangements**

The Corporation has not entered into any off-balance sheet arrangements.

**Proposed Transactions**

There are no proposed transactions of a material nature being considered by U308. However, U308 continues to evaluate properties that it may acquire in the future.

**Critical Accounting Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Critical estimates inherent in these accounting policies are the valuation of Permit "A" and Permit "B". The policy of expensing exploration costs to date does not necessarily relate to the present or future value of exploration properties. The valuation of Permit "A" and Permit "B" is dependent entirely upon the discovery of economic uranium deposits and the ability of the Corporation to obtain a prospecting licence for uranium from the GGMC. Other items requiring estimates for the three and nine months ended September 30, 2007 are accounts receivable, amortization of property and equipment, accounts payable and accrued liabilities, future income taxes and stock-based compensation. Changes in the accounting estimates in these items will not have a material impact on the financial presentation of U308.

**Change in Accounting Policies**

During the three and nine months ended September 30, 2007, the Corporation adopted the following new accounting policies:

(a) Accounting changes

Section 1506, "Accounting Changes". This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Corporation has adopted these new standards effective January 1, 2007.

(b) Financial instruments, comprehensive income and hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to



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fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods are not restated. The Corporation has adopted these new standards effective January 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Corporation designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which is measured at amortized cost and accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Corporation has evaluated the impact of these new standards on its consolidated financial statements and determined that no adjustments are currently required.

(c) Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Corporation has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Corporation has evaluated the impact of EIC-166 and determined that no adjustments are currently required.



## **Future Accounting Changes**

### Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual consolidated financial statements for the Corporation's reporting period beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact of these new accounting standards on its consolidated financial statements.

### **Financial Instruments**

The Corporation has not entered into any specialized financial agreements.

### **Disclosure Controls**

Management accepts responsibility for the reliability and timeliness of the information disclosed and has ensured that there are disclosure controls and procedures in place which provide reasonable assurance that material information relating to U308 was disclosed on a timely basis, particularly information relevant to the period in which annual and interim filings are being prepared. The Board of Directors assesses the integrity of U308's public financial disclosure controls in place through the supervision of the Audit Committee. An evaluation was performed under the supervision and with the participation of the Corporation's management, including the CEO and CFO, of the effectiveness of the Corporation's disclosure controls and procedures, as defined in the rules of the Canadian Securities Administrators. Based on that evaluation, the Corporation's management, including the CEO and CFO, concluded that the Corporation's disclosure controls and procedures were effective as of September 30, 2007.

### **Internal Controls**

Under the supervision of and with the participation of the Corporations' management, including the CEO and the CFO, internal control over financial reporting has been designed and maintained in order to provide reasonable assurance regarding the reliability of financial reporting, as of September 30, 2007. During the three and nine months ended September 30, 2007, there have been no material changes in internal control over financial reporting. In common with many small companies, segregation of duties are difficult, however compensating controls are in place at U308, including key management authorizations and reviews.



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It should be noted that while the Corporation's CEO and CFO believe that the Corporation's internal controls over financial reporting provide a reasonable level of assurance; they do not expect that the procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objective of the control system is met.

**Share Capital**

As at November 22, 2007, the Corporation had 23,057,700 issued and outstanding Common Shares. As at November 22, 2007, U308 had 568,300 broker warrants and 2,040,000 stock options outstanding.

**Risk and Uncertainties**

For a summary of risk factors which have effected, and which in the future are reasonably expected to effect, the Corporation and its financial position, please refer to the section entitled "Risk and uncertainties" in the Corporation's management's discussion and analysis for the fiscal year ended December 31, 2006, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risk factors since the date thereof.