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Ur-Energy
Your Uranium Powerhouse

March 23, 2009

Dear Shareholder:

Enclosed are the documents relating to the 2008 Annual and Special Meeting of Shareholders for Ur-Energy Inc. This is our fourth annual meeting since becoming a public company. Although 2008 brought turmoil to the credit, housing and stock markets, Ur-Energy ended the year in a strong position. At year's end the Company had a cash position of approximately C$65 million with which to advance our robust uranium project at Lost Creek, Wyoming. Our cash on hand is sufficient to get Lost Creek into production in late 2010. We are proud to continue to say that we have one of the finest technical teams among the uranium juniors. We are excited to highlight some of our 2008 activities and to share our plans for 2009 with you.

During 2008, Ur-Energy achieved a number of important milestones. Most importantly, the Company made significant advances towards the commencement of production on the Lost Creek Project in Wyoming by: having its Nuclear Regulatory Commission (NRC) Source Material License application and Wyoming Department of Environmental Quality (WDEQ) Permit to Mine application both deemed complete and moved into the technical review phase; starting the production area Underground Injection Control (UIC) Permit and the Deep Disposal Well UIC Permit processes; completing delineation of Mine Unit #1 and a portion of Mine Unit #2; continuing exploration efforts towards identifying potential extensions of mineral trends; completing the detailed engineering design with specifications and construction plans for the processing plant facility; and adding to the engineering and geology development and production staff. The Company began trading on NYSE Amex; re-aligned its budget in accord with current market conditions and our amended timeline to production; discovered several new targets that may potentially increase resources; and, adopted a Shareholder Rights Plan.

We also completed an in-house economic analysis on the Lost Creek Project and subsequently obtained an NI 43-101 Preliminary Assessment from Lyntek Inc. This Preliminary Assessment showed the project to be "robust" and economically viable at uranium prices above US$40 per pound. According to uranium spot price forecasts, an average of approximately US$50/lb is expected in 2009 and may rise to US$70/lb by the end of 2010. The financial crisis forced speculators to sell their uranium inventory and by the end of 2008, utilities with available funds had taken advantage of troubled sellers to increase their inventories. This resulted in significantly lower spot market volumes and fewer buyers for uranium at the spot price, dropping the uranium spot price to US$43/lb and the long term contract price to US$70/lb by March 2009.

In September 2008, Ur-Energy adjusted its production timeline for Lost Creek because of NRC's six month delay in completing its new guidance, known as the Generic Environmental Impact Statement (GEIS). The GEIS will be utilized for processing all in-situ leaching/recovery project applications. The GEIS was originally scheduled for completion in January 2009; but, in July 2008, the estimated completion date was changed to June 2009. As a result, the Company's production timeline moved from late-2009 to late-2010. The Company recently determined that the new timeline is expected to result in reduced capital development costs.

For 2009, delineation drilling will continue for the completion of Lost Creek Mine Unit #2, as well as testing the extent and economic potential of the underlying KM horizon but within the areas of Mine Units #1 and #2. The 2009 planned installation of regional baseline wells for the KM Horizon has already been completed, and will enable the gathering of baseline data to add the KM Horizon to the Lost Creek licenses.

This January, with the completion of the state-of-the-art design and specifications for all components of the Lost Creek ISR Plant and Mine Unit #1, Ur-Energy began the preparation of the necessary bid documents for soliciting firm bids for the components to complete the construction of the plant and Mine Unit #1. The processing plant will have a two-million-pound-per-year capacity. Plant and mine construction will begin upon receipt of the necessary permits and licenses, weather permitting. The Company does not anticipate any further delays in the permitting and licensing process and currently expects the WDEQ Permit to Mine will be granted in late 2009. Unless site specific issues are raised, the NRC expects to complete the licensing, with the aid of the GEIS, and issue the Source Material License for the Lost Creek Project in late 2009. A late 2010 start-up of production is planned with a ramp up to full production in 2011 to 1 million pounds per year from the Lost Creek Project.

We have elected to submit the NRC and WDEQ license applications for the Lost Soldier Project after Lost Creek's NRC Source Material License is granted. This will allow the Lost Soldier Project to be included as an amendment to the Lost Creek license(s), making for a more efficient application process which should result in a more rapid completion. Further geologic studies focusing on detailed mapping of Lost Soldier's roll-front geology began in 2008. These studies will be followed by detailed engineering and mine design planning and a preliminary assessment in 2009.

The year 2009 opens a new window of opportunity for Ur-Energy. Unfunded capital expenditure requirements among the juniors, the global recession and ever-increasing world nuclear demand places Ur-Energy in a position to capitalize on the opportunities that 2009 will bring as we continue to move toward production. Our financial strength, outstanding technical and support team and executable business plan enables us to grow during difficult times. We appreciate the support of our existing shareholders and invite new investors to take a look at this truly special company.

Yours truly,

W. William Boberg
President & CEO

Jeffrey T. Klenda
Chairman of the Board

UR-ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Information as at March 18, 2009 unless otherwise noted)

Introduction

The following provides management's discussion and analysis of results of operations and financial condition for the years ended December 31, 2008, 2007 and 2006. Management's Discussion and Analysis was prepared by Company management and approved by the Board of Directors on March 18, 2009. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2008, 2007 and 2006. All figures are presented in Canadian dollars, unless otherwise noted, and are in accordance with Canadian generally accepted accounting principles.

In December 2008, the Company changed its policy for accounting for exploration and development expenditures. In prior years, the Company capitalized all direct exploration and development expenditures. Under its new policy, exploration, evaluation and development expenditures, including annual exploration license and maintenance fees, are charged to earnings as incurred until the mineral property becomes commercially mineable. Management considers that a mineral property will become commercially mineable when it can be legally mined, as indicated by the receipt of key permits. This change has been applied retroactively and all comparative amounts in this Management's Discussion and Analysis ("MD&A") have been restated to give effect to this change. These changes are discussed more fully under the heading "Changes in Accounting Policies Including Initial Adoption".

The Company was incorporated on March 22, 2004 and completed its first year-end on December 31, 2004. The consolidated financial statements include all of the assets, liabilities and expenses of the Company and its wholly-owned subsidiaries Ur-Energy USA Inc.; NFU Wyoming, LLC; Lost Creek ISR, LLC; The Bootheel Project, LLC; NFUR Bootheel, LLC; Hauber Project LLC; NFUR Hauber, LLC; ISL Resources Corporation; ISL Wyoming, Inc.; and CBM-Energy Inc. All inter-company balances and transactions have been eliminated upon consolidation. Ur-Energy Inc. and its wholly-owned subsidiaries are collectively referred to herein as the "Company".

Forward-Looking Information

This Management's Discussion and Analysis contains "forward-looking statements" within the meaning of applicable United States and Canadian securities laws. Shareholders can identify these forward-looking statements by the use of words such as "expect", "anticipate", "estimate", "believe", "may", "potential", "intends", "plans" and other similar expressions or statements that an action, event or result "may", "could" or "should" be taken, occur or be achieved, or the negative thereof or other similar statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Such statements include, but are not limited to: (i) the Company's belief that it will have sufficient cash to fund its capital requirements; (ii) receipt of (and related timing of) a US Nuclear Regulatory Commission ("NRC") Source Material License, Wyoming Department of Environmental Quality ("WDEQ") Permit and License to Mine and other necessary permits related to Lost Creek; (iii) Lost Creek and Lost Soldier will advance to production and the production timeline at Lost Creek scheduled for late 2010; (iv) production rates, timetables and methods at Lost Creek and Lost Soldier; (v) the Company's procurement plans and construction plans at Lost Creek; (vi) the licensing process at Lost Soldier which efforts are expected to be streamlined; (vii) the timing, the mine design planning and the preliminary assessment at Lost Soldier; (viii) the completion and timing of various exploration programs and (ix) the regulatory issues with the Thelon Basin Properties and related exploration. These other factors include, among others, the following: future estimates for production, production start-up and operations (including any difficulties with start up), capital expenditures, operating costs, mineral resources, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimated goals; expansion and growth of the business and operations; plans and references to the Company's future successes; the Company's history of operating losses and uncertainty of future profitability; the Company's status as an exploration and development stage company; the Company's lack of mineral reserves; the hazards associated with mining construction and production; compliance with environmental laws and regulations; risks associated with obtaining permits in Canada and the United States; risks associated with current variable economic conditions; the possible impact of future financings; uncertainty regarding the pricing and collection of accounts; risks associated with dependence on sales in foreign countries; the possibility for adverse results in potential litigation; fluctuations in foreign exchange rates; uncertainties associated with changes in government policy and regulation; uncertainties associated with the Canadian Revenue Agency's audit of any of the Company's cross border transactions; adverse changes in general business conditions in any of the countries in which the Company does business; changes in the Company's size and structure; the effectiveness of the Company's management and its strategic relationships; risks associated with the Company's ability to attract and retain key personnel; uncertainties regarding the Company's need for additional capital; uncertainty regarding the fluctuations of the Company's quarterly results; uncertainties relating to the Company's status as a non-U.S. corporation; uncertainties related to the volatility of the Company's shares price and trading volumes; foreign currency exchange risks; ability to enforce civil liabilities under U.S. securities laws outside the United States; ability to maintain the Company's listing on the NYSE Amex (the "NYSE Amex") and Toronto Stock Exchange (the "TSX"); risks associated with the Company's possible status as a "passive foreign investment company" or a "controlled foreign corporation" under the applicable provisions of the U.S. Internal Revenue Code of 1986, as amended; risks associated with the Company's investments and other risks and uncertainties described under the heading "Risk Factors" of the Company's Annual Report on Form 20-F (Annual Information Form) dated March 18, 2009 which is filed on SEDAR at www.sedar.com and with the US Securities and Exchange Commission at www.sec.gov.

Nature of Operations and Description of Business

The Company is a development stage junior mining company engaged in the identification, acquisition, evaluation, exploration and development of uranium mineral properties in Canada and the United States. The Company has not yet determined whether its properties contain mineral reserves. The recoverability of amounts recorded for mineral properties is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these properties and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties. The Company is currently in the process of permitting its Lost Creek property. As identified in the June 2006 Technical Report on Lost Creek, National Instrument 43-101 compliant resources are 9.8 million pounds of U_3O_8 at 0.058 percent as an indicated resource and an additional 1.1 million pounds of U_3O_8 at 0.076 percent as an inferred resource.

The Company is focused on uranium exploration in the following areas: (i) Wyoming, USA where the Company has fourteen properties. Of those fourteen properties, ten are in the Great Divide Basin, two of which (Lost Creek and Lost Soldier) contain defined resources that the Company expects to advance to production. The Company's other Wyoming projects include two properties in the Shirley Basin, one property in the Greater Black Hills, and one property in the Powder River Basin; (ii) Arizona, USA where the Company has acquired a property in Yuma County; (iii) the Thelon Basin, Northwest Territories, Canada, where it has three properties; and (iv) Baker Lake Basin, Nunavut, Canada, where it has one property.

Selected Information

The following table contains selected financial information as at December 31, 2008 and December 31, 2007.

	As at December 31, 2008 $	**As at December 31, 2007 $ (As restated)**
Total assets	101,533,965	110,931,322
Liabilities	3,256,634	2,092,296
Net assets	98,277,331	108,839,026
Capital stock and contributed surplus	157,118,019	149,826,129
Deficit	(58,840,688)	(40,987,103)
Shareholders' equity	98,277,331	108,839,026

The following table contains selected financial information for the years ended December 31, 2008, 2007 and 2006 and cumulative information from inception of the Company on March 22, 2004 to December 31, 2008.

	Year Ended December 31, 2008 $	**Year Ended December 31, 2007 $ (As restated)**	**Year Ended December 31, 2006 $ (As restated)**	**Cumulative from March 22, 2004 to December 31, 2008 $ (As restated)**
Revenue	Nil	Nil	Nil	Nil
Total expenses[(1)]	(25,967,711)	(22,959,356)	(12,395,814)	(70,879,783)
Interest income	2,494,445	2,816,398	629,724	6,078,439
Foreign exchange gain (loss)	5,656,319	(806,420)	(177,141)	5,568,239
Other income (loss)	(36,638)	-	-	(36,638)
Loss before income taxes	(17,853,585)	(20,949,378)	(11,943,231)	(59,269,743)
Recovery (loss) of future income taxes	-	429,055	-	429,055

Net loss for the period	(17,853,585)	(20,520,323)	(11,943,231)	(58,840,688)

[(1)] Stock based compensation included in total expenses	(4,567,206)	(6,138,922)	(3,505,517)	(14,762,197)

Loss per common share: Basic and diluted	(0.19)	(0.24)	(0.20)
Cash dividends per common share	Nil	Nil	Nil

The Company has not generated any revenue from its operating activities from inception to date. The Company's expenses include costs for general and administrative expense, exploration and evaluation costs, development expense and write-off of mineral property costs. The Company has recorded significant stock-based compensation costs which were included in total expenses. Acquisition costs of mineral properties are capitalized. Exploration, evaluation and development expenditures, including annual maintenance and lease fees, are charged to earnings as incurred until the mineral property becomes commercially mineable.

No cash dividends have been paid by the Company. The Company has no present intention of paying cash dividends on its common shares as it anticipates that all presently available funds will be invested to finance new and existing exploration and development activities.

Overall Performance and Results of Operations

From inception to December 31, 2008, the Company has raised total cash proceeds from the issuance of common shares and warrants and from the exercise of warrants, compensation options and stock options of $141.2 million. As at December 31, 2008, the Company held cash and cash equivalents, and short-term investments of $65.0 million. The Company's cash resources are invested with major banks in bankers' acceptances, guaranteed investment certificates, certificates of deposit, and money market accounts. The Company has made significant investments in mineral properties and exploration, evaluation and development expenditures.

Mineral Properties

During the year ended December 31, 2008, the Company expended cash of $0.9 million (2007 – $1.4 million) on mineral property costs. The most significant component of these costs is staking and claim costs associated with the acquisition of the mineral properties primarily located in the United States. The Company's mineral properties are located in Wyoming, USA, Arizona, USA, Northwest Territories, Canada, and Nunavut, Canada.

Revised Method of Acreage Calculation

Previously, as related to its projects in the United States, the Company utilized rounded estimates of mining claim mineral acreage based upon number of claims staked multiplied by an estimated standard claim size of 20.66 acres per claim. Recently, the Company upgraded and converted its land management system processes to begin calculating mining claim mineral acreage primarily using mapping software which permits more accurate approximations. By way of example, mining claims normally are staked to overlap on adjacent property to eliminate the possibility of gaps and can cover an area larger than actually controlled; as well, claims deliberately may be staked smaller than standard size to cover gaps.

Wyoming, USA Properties

Lost Creek Project

The Lost Creek uranium deposit is located in the Great Divide Basin, Wyoming. The deposit is approximately three miles (4.8 kilometers) long and the mineralization occurs in four main sandstone horizons between 315 feet (96 meters) and 700 feet (213 meters) in depth.

As identified in the June 2006 Technical Report on Lost Creek, National Instrument 43-101 ("NI 43-101") compliant resources are 9.8 million pounds of U_3O_8 at 0.058 percent as an indicated resource and an additional 1.1 million pounds of U_3O_8 at 0.076 percent as an inferred resource. During 2006, 17 cased monitoring and pump test wells were completed on the property, and initial testing was completed.

The 2007 drilling program included 58 additional monitor and pump test wells, two water wells and a total of 195 delineation drill holes. This program enabled the Company to obtain additional baseline and hydrogeologic data within the first mine unit area for engineering assessments; for the State of Wyoming Department of Environmental Quality ("WDEQ") Permit to Mine application; for the US Nuclear Regulatory Commission ("NRC") Source Material License application; and, for the WDEQ Mine Unit #1 Permit application. In addition, six condemnation holes were drilled to make certain the potential target plant location was not over any part of the ore body.

In October 2007, the Company submitted its Application to the NRC for a Source Material License for the Lost Creek project. This license is the first stage of obtaining all necessary licenses and permits to enable the Company to recover uranium via in situ recovery method at the Lost Creek project. The collection and compilation of the extensive environmental background data for the application was a two-year process. In February 2008, the Company requested that the NRC application for its Lost Creek project be withdrawn to enable the Company to include upgrades to its application with respect to the project's operational plan and other advances in the health physics information and analyses. In March 2008, the Company re-submitted the Source Material License application to the NRC. In June 2008, the NRC notified the Company it deemed the Lost Creek application complete. The NRC thereafter commenced its detailed technical and environmental review of the Company's application.

In 2007, the Company also submitted the Lost Creek Mine Permit Application to the WDEQ. Individual mine unit applications for each well field will be submitted to cover each mine unit or well field that will be produced on the Lost Creek project. In May 2008, the Company received notice from the WDEQ that the agency found the application to be complete and authorized the Company to proceed with formal Public Notice of the application, which was subsequently completed on a timely basis by the Company.

Throughout the latter part of 2008 and, to date, in 2009, the Company has been responding to requests from both agencies for additional information, which is part of the routine process toward completion of the technical and environmental reviews of the applications.

In February 2008, an in-house economic analysis on the Lost Creek project was completed by the Company's engineering team. An independent technical report under NI 43-101 was subsequently prepared by Lyntek Inc. The purpose of the report was to provide an independent analysis and preliminary assessment of the potential economic viability of the mineral resource of the Lost Creek project. The resulting base case in the preliminary assessment prepared by Lyntek returned a pre-tax internal rate of return of 43.6% at a price of US$80 per pound U_3O_8, and demonstrated that the project would be economic at prices above US$40 per pound U_3O_8.

In September 2008, the Company announced an update to the Lost Creek permitting and production timeline based on further licensing guidance from the NRC. Based upon an NRC release of updated guidance on its expected publication of a final Generic Environmental Impact Statement for In-Situ Leach Uranium Milling Facilities ("GEIS") in a July 28, 2008 Federal Register notice (Vol.73, No. 145), the NRC revised its expected publication date from January 2009 to June 2009.

In early September 2008, the Company conducted meetings with senior officials of the NRC to confirm how the revised GEIS completion date would affect the timing of the issuance of licenses to presently pending applicants, including Lost Creek. As a result of the meetings, Ur-Energy revised its expectation for the issuance of the Lost Creek's NRC license from second quarter 2009 to fourth quarter 2009. First production from the Lost Creek project is now anticipated to occur in the second half of 2010.

The exploration and development program for 2008 at Lost Creek was designed to further delineate known resources, explore the permit area for additional resources outside of the known areas, and to install the monitoring wells required for the first mine unit. The program included the following activities:

- Drilling as follows:
  - 300 delineation holes within the proposed mine unit area to provide detailed definition of the extent of minable uranium resources.
  - 99 exploration holes were drilled to test for potential extensions of mineral trends. Drill hole depths ranged from 600 to 1,000 feet (183 to 305 meters).
  - 48 cased monitor and pump test wells were installed within and surrounding the first proposed mine unit. These wells will be utilized for production monitoring.
  - Ten regional baseline wells were also installed at the request of the WDEQ. The average well depth is approximately 450 feet (137 meters).
  - Two water supply wells were drilled, cased and completed.
- The program employed seven contract drill rigs throughout much of the six-month drilling program. Geophysical logging units were also contracted to provide measurements of down-hole equivalent uranium mineralization. These were complemented by Ur-Energy's Prompt Fission Neutron "PFN" logging truck, capable of providing down-hole chemical uranium measurements.
- Core samples from several holes were obtained. Chemical uranium analyses of the core samples have been conducted, and will be used as referee and quality control measurements to be compared to the down-hole logging measurements of mineralization. Leach testing will also be conducted on selected core samples. All wells were cased in accordance with WDEQ guidelines and regulations; plugging and permanent abandonment of all uranium exploration and delineation boreholes was completed.
- Surveys of soils and geotechnical borings were conducted to assist in the evaluation of plant and road facilities design.

Following the 2008 drilling program, Ur-Energy personnel oversaw the drilling of a deep test well at Lost Creek. The well will be utilized to test the stratigraphy and groundwater quality for purposes of permitting future disposal well(s) to support site operations. The well reached a total depth of 9,894 feet (3,016 meters), on December 17, 2008 and was then cased. Additional well data will be obtained in 2009 to support the Company's permitting activities. Also during fourth quarter of 2008, the Company completed the pump testing of the monitor wells associated with the first mine unit.

During 2008, the Company purchased and mobilized operational equipment, including: backhoes, a water truck, a forklift, light and heavy trucks, trailers, offices, a hose reel, generators and cementers. In 2009, the Company's engineering staff, assisted by TREC Engineering, has completed the detailed designs and specifications for all components of the Lost Creek ISR Plant and Mine Unit # 1. Requests for bids are being prepared to be provided to vendors and contractors. Procurement will be ongoing throughout 2009. Construction at the Lost Creek site will begin upon receipt of the necessary permits.

A royalty on future production of 1.67% is in place with respect to 20 claims comprising a small portion of the Lost Creek project.

Lost Soldier Project

The Lost Soldier project is located approximately 14 miles (22.5 kilometers) to the northeast of the Lost Creek project. The property has over 3,700 historical drill holes defining 14 mineralized sandstone units. As identified in the July 2006 Technical Report on Lost Soldier, NI 43-101 compliant resources are 5.0 million pounds of U_3O_8 at 0.064% as a measured resource, 7.2 million pounds of U_3O_8 at 0.065% as an indicated resource and 1.8 million pounds of U_3O_8 at 0.055% as an inferred resource. The Company maintains 143 lode mining claims at Lost Soldier, totaling approximately 2,710 mineral acres. Of these 143 mining claims at Lost Soldier, 60 new claims were staked in 2008 for mine engineering design purposes. A royalty on future production of 1%, which arises from a data purchase, is in place with respect to certain claims within the project.

All environmental baseline studies were completed in 2007. In January 2008, the Lost Soldier deposit was turned over to the Company's engineering staff for detailed engineering evaluation and study, which has been ongoing. Subsequently, in late 2008, members of the geology staff have commenced in-depth studies which focus on detailed mapping of the roll-front geology. These studies will then be followed by detailed mine design planning, and a preliminary assessment, all of which are expected to proceed in 2009.

In March 2008, the Company had requested a separate docket number and technical assignment control number for the Lost Soldier project from the NRC. The Company has since determined it will submit the applications to the NRC and WDEQ as amendments to the Lost Creek licenses, after they are issued by those agencies. It is anticipated that the Lost Soldier licensing effort will be streamlined and more efficient as a satellite facility to the Lost Creek project.

Other Wyoming Properties

In 2008, exploration drilling of 11,370 feet (3,468 meters) was completed at the EN project. In January 2009, the Company completed an agreement reducing an existing royalty on claims and an area of interest arising from transactions dating back to 2006. With regard to the EN project, and three other areas, the Company was able to eliminate the area of interest and to reduce the royalty from two percent (2%) to one percent (1%) on certain specified mining claims. In a related transaction, the Company purchased 66 new claims which have become a part of the EN project, bringing that project to a total of 533 mining claims, together with one state mining lease.

Also in 2008, additional exploration data was obtained by completing over 746 miles (1,200 kilometers) of airborne geophysical surveys in Wyoming. The Company put other drilling programs, including for the LC North and North Hadsell projects, on hold in order to advance the development of the Lost Creek project. Also as a result of budgetary controls, the Company dropped exploration lands in South Dakota containing over 72,000 acres prior to additional costs of retention being incurred. As of the end of 2008, the Company maintains approximately 65,000 mineral acres in Wyoming. During 2008 and into 2009, an in-house team of geologists has continued to evaluate the extensive well log and exploration database owned by the Company for generating new exploration targets.

In 2007, the Company completed the acquisition of a data package from Power Resources Inc. ("PRI") pertinent to exploration and development on its Bootheel and Buck Point properties, in the Shirley Basin, Wyoming, for a total purchase price of US$180,000, which was paid in two equal installments in 2006 and 2007. The data includes drill hole logs for more than 1,000 drill holes, historical resource reports, maps, drill summaries, individual drill hole summaries, handwritten notes, and digital printouts from such previous operators as Cherokee, Kerr McGee, Uradco (PP&L), and Mobil as well as historical feasibility reports from Dames & Moore and Nuclear Assurance.

In 2007, the Company entered into an agreement with Target Exploration & Mining Corp. and its subsidiary ("Target"). Under the terms of the agreement, the Company contributed its Bootheel and Buck Point properties to The Bootheel Project, LLC (the "Bootheel Project"). The properties cover an area of known uranium occurrences within the Shirley Basin. Target is earning into a 75% interest in the Bootheel Project by spending US$3.0 million in exploration costs, and issuing 125,000 shares of its common stock to the Company, all within a four-year earn-in period. With the completion earlier in 2008 of agreements for additional rights and leased lands, the total project covers defined areas of approximately 8,524 gross, and 7,895 net, mineral acres. (The statement of net mineral acres with regard to the Bootheel property arises as a part of the 2008 agreements to which the lessor has a 75% mineral interest.)

Target timely issued its second installment of stock (25,000 shares) and confirmed its completion of the first year's required exploration expenditures. In 2008, Target also completed a 50,000 foot (15,250 meter) drilling program on the Bootheel property of the Project. The purpose of the program was to bring the historic resources in NI 43-101 compliance. In January 2009, Target announced that it had completed the acquisition of the final historic data package in behalf of the Bootheel Project. The data package, purchased from Cameco Corp., comprises data from approximately 290,000 feet of drilling carried out by Cameco, Kerr McGee and Uradco. The data acquired includes not only geological logs but also gamma logs containing equivalent uranium (eU_3O_8), values. This industry standard method of using eU_3O_8 indicates the amount of uranium present as determined by measuring gamma radiation using a down-hole probe.

The Company has made the data it acquired earlier from PRI covering the Bootheel and Buck Point properties (see discussion above), and certain other data, available to the Bootheel Project. PRI retained a royalty of 1% on future production of uranium and associated minerals from certain lands in the Bootheel Project.

In February 2009, Target issued 50,000 additional shares of its stock to the Company to complete the stock-based earn-in obligations (third and fourth installments) of the operating agreement of the Bootheel Project.

In 2007, the Company entered into agreements with Trigon Uranium Corporation and its subsidiary ("Trigon"). Under the terms of the agreements, the Company contributed its Hauber property to Hauber Project LLC (the "Hauber Project"). The Hauber Project is located in Crook County, Wyoming and consists of 205 unpatented lode mining claims and one state uranium lease totaling approximately 4,570 mineral acres.

Effective August 1, 2008, Trigon tendered its resignation as a Member and the Manager of the Hauber Project. Transition of management of the Hauber Project back to the Company has been completed. Before Trigon's decision not to proceed, it had contracted, as Manager of Hauber Project, for several outside geologic and hydrologic analytical projects, which were completed and submitted during the first half of 2008. The consultants employed abundant historic data to define the geologic setting and assess the potential of the Hauber Project properties for the recovery of uranium through ISR mining methods. Further in-house analysis of these reports is underway.

Canadian Properties and Interests

Screech Lake Property, Thelon Basin

In 2006, an environmental screening study was completed on the Screech Lake project and an application for a land use permit to conduct drill testing of the Screech Lake anomalies was referred to the Mackenzie Valley Environmental Impact Review Board ("Review Board") for environmental assessment. In 2007, the environmental assessment was completed and a report and recommendation from the Review Board was issued. The Review Board recommended to the Minister of Indian and Northern Affairs Canada (the "Minister") that the Company's application to conduct an exploratory drilling program at the Screech Lake property be rejected due to local native community concerns.

In October 2007, the Company received notification that the Minister had adopted the recommendation of the Review Board. As part of the decision, the Minister did confirm that the decision does not affect the legal standing of the Company's Screech Lake mineral claims. Discussions with the Minister and other interested parties led the Company to conclude that the rejection was influenced, in part, by land claims issues between First Nations groups and the Federal government, and to a lesser extent, environmental concerns related to caribou migration routes and timing of a drill program. In the Company's application for a land use permit, extensive mitigation measures were proposed to ensure that the drilling program would have minimal short-term environmental impact and no long-term effect.

Throughout 2008, the Company continued its ongoing discussions with First Nations groups and Aboriginal-owned business corporations to secure an exploration agreement which would allow the Company to proceed with re-filing of a drilling proposal and application for land use permit.

Bugs Property, Baker Lake Basin

In September 2006, the Company entered into an option agreement to acquire the Bugs property in Nunavut, Canada. The Company has earned a 100% interest in the property by issuing a total of 85,000 common shares to the vendor. The vendor retains a 2% net smelter royalty, of which 1% is subject to a buyout for $1.0 million. The Bugs property initially consisted of 11 contiguous mineral claims in the Kivalliq region of the Baker Lake Basin. In 2008 the Company staked an additional eight mineral claims, which together total approximately 45,000 acres (approximately 18,000 hectares).

In 2006, a fixed wing aeromagnetic and radiometric survey was conducted on the entire property. The data from this survey resulted in the selection of seven targets based upon structural offset and dilation features in combination with magnetite depletion. In 2007, one of the seven targets was examined; the remaining targets were examined and prioritized during the 2008 summer program by radon sampling techniques, prospecting and rock sampling. This work led to interpreted areas of hydrothermal alteration, elevated radioactivity and high radon flux.

Six drill holes were completed from late August to mid September of 2008, for a total of 2,905 feet (885 meters). The program was terminated early due to problems with drilling equipment. Results of the program are being evaluated by the Company. The Company incurred total exploration and acquisition costs of approximately $2.0 million during the 2008 program. As a part of this program, the Company utilized funds from the flow-through financing it raised in March 2008. See *Financing Transactions,* below.

Other Canadian Interests

In 2006, the Company completed a definitive agreement with Triex Minerals Corporation ("Triex") with respect to the Mountain Lake and Dismal Lake West properties (together, comprising 58 claims). Pursuant to the option agreement, Triex obtained a 100% interest in the properties in September 2007. The Company retains a 5% net smelter return royalty interest in the properties with Triex having the right to purchase one-half of the royalty for $5,000,000.

2008 Expenses Compared to 2007

Total expenses for the year ended December 31, 2008 were $26.0 million as compared to $23.0 million in 2007. Total expenses include general and administrative expense, exploration and evaluation expense, development expense and write-off of mineral property costs.

Overall, 2008 total expenses increased $3.0 million as compared to 2007. The increase in total expenses was primarily due to increased expenditures on the Company's exploration and development projects, the continued expansion of the Littleton, Colorado and Casper, Wyoming offices, and increases in non-cash amortization of capital assets and write-off expenses. The increase in total expenses was partially offset by a decrease in non-cash stock based compensation expense.

Exploration, evaluation and development expenditures increased $3.1 million in 2008, primarily due to the transition of the Company's Lost Creek property from the evaluation stage to the development stage. During 2008, the Company spent approximately $1.9 million in evaluation activities and $8.8 million in development activities related to the Lost Creek property, which were expensed in accordance with the Company's revised accounting policies. Additionally, the Company incurred significant expenditures on other exploration and evaluation properties including the Bugs property in Canada and the Lost Soldier property in the United States.

General and administrative expense relates primarily to the Company's administration, finance, investor relations, land and legal functions in Littleton, Colorado. During 2008, the Company continued to expand the Casper, Wyoming office. The Company strengthened key staffing areas adding eight positions primarily aimed at enhancing operating expertise at the Casper office. Accordingly, the Denver and Casper offices were also expanded to accommodate and support the staffing additions.

During the year, the Company recorded significant non-cash stock based compensation expenses related to stock options. In September 2008, the Company gave the holders of options with an exercise price of $4.75 or higher the opportunity to voluntarily return all or a portion of these options to the Company by September 30, 2008 without any promise or guarantee that the option holders will receive any further options. Options for 2,490,000 shares with a weighted exercise price of $4.82 were returned to the Company. Previously unrecognized stock based compensation cost of $2.2 million was recognized at the cancellation date. Including the above, for 2008, stock based compensation expenses of $4.6 million (2007 – $6.1 million) were included in total expenses. These non-cash expenses represent approximately 18% of total expenses (2007 – 27%).

During the third quarter of 2008, the Company relinquished leases associated with the Harding and Fall River projects in South Dakota and wrote-off the approximately $0.3 million in costs related to these projects.

Other income and expenses

The Company's cash resources are invested with major banks in bankers' acceptances, guaranteed investment certificates, certificates of deposit, and money market accounts. During the year ended December 31, 2008, the Company earned interest income on these investments of $2.5 million, as compared to $2.8 million in 2007. After the May 2007 bought deal financing and the March 2008 private placement, the Company's average cash resources increased significantly. However, the Company does not generate any revenue from operating activities and its average cash resources, and the resulting interest income, have declined since the two financings were completed.

During the year ended December 31, 2008, the Company recorded a net foreign exchange gain of $5.7 million as compared to a $0.8 million loss during the same period in 2007. This 2008 net foreign exchange gain arose primarily due to cash balances held in U.S. dollar accounts as the U.S. dollar strengthened relative to the Canadian dollar during the period, while in 2007 the U.S. dollar declined in value relative to the Canadian dollar.

Income Taxes

In 2008, the Company recorded operating losses in both Canada and the United States. Management has concluded that it is not yet more likely than not that these losses, and prior years' loss carryforwards and other tax assets will be realized, and therefore the Company has recorded a full valuation allowance against these amounts.

In 2007, the Company also recorded losses in both jurisdictions against which full valuation allowances were applied, except in respect of the Company's ISL subsidiary. The Company acquired ISL in 2004 and recorded a future tax liability upon the acquisition related to the difference between management's estimate of the tax basis and the fair value assigned to the assets acquired. In 2007, management filed tax returns for ISL for the pre-acquisition period and established additional tax basis for the ISL assets and consequently recorded a reduction in the future tax liability related to these assets.

Loss Per Common Share

Both basic and diluted loss per common share for the year ended December 31, 2008 were $0.19 (2007 – $0.24). The diluted loss per common share is equal to the basic loss per common share due to the anti-dilutive effect of all convertible securities outstanding given that net losses were experienced.

2007 Expenses Compared to 2006

Total expenses for the year ended December 31, 2007 were $23.0 million as compared to $12.4 million in 2006. Total expenses include general and administrative expense, exploration and evaluation expense, development expense and write-off of mineral property costs.

General and administrative expenses were $1.8 million higher than in 2006. The majority of the increase in general and administrative expense was due to stock option related charges as discussed below. The balance of increased general and administrative costs related primarily to expansion of the Littleton, Colorado office and related staff costs for finance, legal and support personnel.

During the year ended December 31, 2007, the Company recorded significant non-cash stock based compensation charges related to stock options. In total, expenses recorded related to stock options were $6.1 million as compared to $3.5 million in 2006. These non-cash charges to expense represent approximately 27% of total expenses (2006 – 28%).

Exploration and evaluation expense increased significantly during 2007 as the Company rapidly advanced its Lost Creek and Lost Soldier properties in Wyoming. During 2007, the Company spent approximately US$8.5 million for exploration activities on these two properties. The Company also spent significant amounts on other exploration properties including the Screech Lake in Canada.

During the fourth quarter of 2007, Company management decided not to proceed with funding of any additional exploration of the Titan R-Seven and Rook I properties. Accordingly, the Company wrote off approximately $34,000 in related mineral property costs.

Other income and expenses

The Company's cash resources are invested with major banks in bankers' acceptances, guaranteed investment certificates, certificates of deposit, and money market accounts. During the year ended December 31, 2007, the Company earned interest income on these investments of $2.8 million (2006 - $0.6 million). Interest income was significantly higher in the third and fourth quarters of 2007 as the proceeds of the bought deal financing were invested from early May through to the end of the year.

During the year ended December 31, 2007, the Company recorded a net foreign exchange loss of $0.8 million (2006 - $0.2 million). This net foreign exchange loss arose primarily due to cash balances held in U.S. currency as the Canadian dollar strengthened relative to the U.S. dollar during the period from September to November 2007. During the first and second quarters of 2007, the Company experienced gains on the U.S. dollar denominated New Frontiers obligation. The obligation was fully repaid during the second quarter of 2007.

Loss Per Common Share

Both basic and diluted loss per common share for the year ended December 31, 2007 were $0.24 (2006 – $0.20). For the years ended December 31, 2007 and 2006, diluted loss per common share is equal to the basic loss per common share due to the anti-dilutive effect of all convertible securities outstanding given that net losses were experienced.

Liquidity and Capital Resources

As at December 31, 2008, the Company had cash and cash equivalents, and short-term investments of $65.0 million, a decrease of $11.3 million from the December 31, 2007 balance of $76.3 million. The Company's cash resources are invested with major banks in Canada and United States in guaranteed investment certificates, certificates of deposit, bankers' acceptances, and money market accounts. During the year ended December 31, 2008, the Company used $10.5 million to fund operating activities, spent $3.5 million on investing activities, and generated $2.7 million from financing activities.

During the year ended December 31, 2008, the Company invested cash of $3.5 million in mineral properties, bonding deposits, capital assets and design work on the Lost Creek plant. The majority of these expenditures went toward bonding deposits and the purchase of capital assets. The capital asset purchases were primarily for field vehicles and field equipment purchased to facilitate the exploration and development work programs in Wyoming.

On March 25, 2008, the Company completed a non-brokered private placement of 1,000,000 flow-through commons shares at $2.75 per share raising gross proceeds of $2.8 million. Total direct share issue costs were $0.1 million. During the year ended December 31, 2008, the Company realized cash proceeds of $0.1 million from the exercise of previously issued stock options. In September 2008, the Company gave the holders of options with an exercise price of $4.75 or higher the opportunity to voluntarily return all or a portion of these options to the Company by September 30, 2008 without any promise or guarantee that the option holders will receive any further options. Options for 2,490,000 shares with a weighted exercise price of $4.82 were returned to the Company. Therefore, as at December 31, 2008, the Company had outstanding a total of 6,228,700 stock options with a weighted-average exercise price of $1.95 per option.

The Company has financed its operations from its inception primarily through the issuance of equity securities and has no sources of cash flow from operations. The Company will not generate any cash flow from operations until it is successful in commencing production from its properties.

The Company has established a corporate credit card facility with a U.S. bank. This facility has an aggregate borrowing limit of US$250,000 and is used for corporate travel and incidental expenses. The Company has provided a letter of credit and a guaranteed investment certificate in the amount of $287,500 as collateral for this facility.

Financing Transactions

The Company completed a non-brokered private placement of 1,000,000 flow-through common shares at $2.75 per share on March 25, 2008 and raised gross proceeds of $2.8 million. Total direct share issue costs were $0.1 million.

On November 7, 2008 the Company's board of directors approved the adoption of a shareholder rights plan (the "Rights Plan") designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the Company's outstanding securities. The Rights Plan is intended to provide the Company's board of directors with adequate time to assess a take-over bid, to consider alternatives to a take-over bid as a means of maximizing shareholder value, to allow competing bids to emerge, and to provide the Company's shareholders with adequate time to properly assess a take-over bid without undue pressure.

Although the Rights Plan took effect immediately, in accordance with the TSX requirements, the Company will seek approval and ratification by its shareholders at the next annual and special meeting of shareholders on April 28, 2009. If the Rights Plan is not ratified, the Rights Plan and all of the Rights outstanding will terminate.

Outstanding Share Data

Information with respect to outstanding common shares, warrants, compensation options and stock options as at December 31, 2008 and December 31, 2007 is as follows:

	December 31, 2008	**December 31, 2007**
Common shares	93,243,607	92,171,607
Warrants	-	-
Compensation options	-	-
Stock options	6,228,700	8,010,700
Fully diluted shares outstanding	99,472,307	100,182,307

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, bonding and other deposits and accounts payable. The Company is exposed to risks related to changes in foreign currency exchange rates, interest rates and management of cash and cash equivalents and short term investments.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short term investments and bonding deposits. The Company's cash equivalents and short term investments include Canadian dollar and US dollar denominated guaranteed investment certificates and certificates of deposits. They bear interest at annual rates ranging from 0.75% to 3.25% and mature at various dates up to April 30, 2009. These instruments are maintained in financial institutions in Canada and the United States. Of the amount held on deposit, approximately $0.4 million is covered by either the Canada Deposit Insurance Corporation or the Federal Deposit Insurance Corporation, leaving approximately $64.6 million at risk should the financial institutions with which these amounts are invested cease trading. As at December 31, 2008, the Company does not consider any of its financial assets to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through regular cash flow forecasting of cash requirements to fund exploration and development projects and operating costs.

As at December 31, 2008 the Company's liabilities consisted of trade accounts payable of $2,265,058, all of which are due within normal trade terms of generally 30 to 60 days.

Market risk

Market risk is the risk to the Company of adverse financial impact due to changes in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company incurring a significant portion of its expenditures and a significant portion of its cash equivalents and short term investments in United States dollars, and holding cash equivalents and short term investments which earn interest.

Interest rate risk
Financial instruments that expose the Company to interest rate risk are its cash equivalents and short term investments. The Company's objectives for managing its cash and cash equivalents are to ensure sufficient funds are maintained on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents on short-

term deposit, the Company only uses high quality commercial banks and ensures that access to the amounts placed can generally be obtained on short notice.

Currency risk
The Company incurs expenses and expenditures in Canada and the United States and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in Canadian and US dollars. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

At December 31, 2008 the Company had cash and cash equivalents, short term investments and bonding deposits of approximately US$26.5 million (US$18.4 million as at December 31, 2007) and had accounts payable of US$1.7 million (US$1.2 million as at December 31, 2007) which were denominated in US dollars.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's US$ denominated assets and liabilities at year end. This sensitivity analysis assumes that changes in market interest rates do not cause a change in foreign exchange rates. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a +/- $3.0 million impact on net loss for the year ended December 31, 2008. This impact is primarily as a result of the Company having year end cash and investment balances denominated in US dollars and US dollar denominated trade accounts payables. The financial position of the Company may vary at the time that a change in exchange rates occurs causing the impact on the Company's results to differ from that shown above.

The Company has also completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis assumes that changes in market foreign exchange rates do not cause a change in interest rates. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a +/- $0.6 million impact on net loss for the year ended December 31, 2008. This impact is primarily as a result of the Company having cash and short-term investments invested in interest bearing accounts. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that shown above.

Transactions with Related Parties

During the years ended December 31, 2008 and 2007, the Company did not participate in any material transactions with any related parties.

Proposed Transactions and Listing Application Approval

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and venture transactions and opportunities that could enhance shareholder value. Timely disclosure of such transactions is made as soon as reportable events arise.

In January 2008, the Company filed documentation with the United States Securities and Exchange Commission on Form 40-F to register the common shares of the Company and filed an application to list the common shares with the American Stock Exchange, LLC ("AMEX"). The application was subject to review by the AMEX, and on July 18, 2008, the AMEX approved for listing the common shares of the

Company. Trading of the common shares of the Company on the AMEX (now the NYSE Amex) commenced on July 24, 2008 under the symbol "URG".

Critical Accounting Policies and Estimates

Mineral Properties

Acquisition costs of mineral properties are capitalized. When production is attained, these costs will be amortized on the unit-of-production method based upon the estimated recoverable resource of the mineral property.

The Company assesses the possibility of impairment in the net carrying value of its mineral properties when events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Given the current disruption and uncertainty in the global economy, and the decrease in the Company's share price over the last year, management reviewed all of its significant mineral properties for potential impairment.

For the Company's Lost Creek and Lost Soldier properties, management calculated the estimated undiscounted future net cash flows relating to these properties as a single asset group as the Company expects to mine the Lost Soldier property as a satellite facility, licensed through an amendment to the Lost Creek permits, and using the Lost Creek plant. Management calculated the future net cash flows using estimated future prices, indicated resources, and estimated operating, capital and reclamation costs.

The Company's estimates of indicated resources depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis. The operating, capital and reclamation costs are based upon similar production plants and current capital budgets for the project. The uranium prices used are based on current long term contract prices and external consensus prices which for uranium vary between US$50 and US$70 per pound. By their very nature there can be no assurance that these estimates will actually be reflected in future construction or operation at the projects.

Management's estimate of the undiscounted cash flows related to these mineral properties exceed their carrying value, therefore management concluded that the assets passed step 1 of the asset impairment test prescribed under generally accepted accounting principles, and therefore no write-down of these assets was recorded. Management's estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

For the Company's other properties, reliable cash flow forecasts cannot be made at this time. Management therefore tested these for impairment by comparing their carrying values to their estimated fair value based on non-NI 43-101 compliant resource estimates of indicated resources and a value of US$2 per pound in the ground. Management also considered the results of current exploration activities on the properties and future exploration plans and expenditures by both the Company and, in the case of the Bootheel Project, Target, to assess whether these were inconsistent with other indicators of fair value. Based on the above, management concluded that the fair value of these properties exceeded the carrying amount and no impairment charges were recorded.

Stock Based Compensation

The Company is required to record all equity instruments including warrants, compensation options and stock options at fair value in the financial statements. Management utilizes the Black-Scholes model to calculate the fair value of these equity instruments at the time they are issued. Use of the Black-Scholes model requires management to make estimates regarding the expected volatility of the Company's stock over the future life of the equity instrument, the estimate of the expected life of the equity instrument, the expected volatility of the Company's common shares, and the number of options that are expected to be forfeited. Determination of these estimates requires significant judgment and requires management to formulate estimates of future events based on a limited history of actual results and by comparison to other companies in the uranium exploration and development segment.

Changes in Accounting Policies Including Initial Adoption

Exploration and Development Expenditures

In December 2008, the Company changed its policy for accounting for exploration and development expenditures. In prior years, the Company capitalized all direct exploration and development expenditures. Under its new policy, exploration, evaluation and development expenditures, including annual exploration license and maintenance fees, are charged to earnings as incurred until the mineral property becomes commercially mineable.

Management considers that a mineral property will become commercially mineable when it can be legally mined, as indicated by the receipt of key permits. Development expenditures incurred subsequent to the receipt of key permits will be capitalized and amortized on the unit-of-production method based upon the estimated recoverable resource of the mineral property. Management believes that this treatment provides a more relevant and reliable depiction of the Company's asset base and more appropriately aligns the Company's policies with those of comparable companies in the mining industry at a similar stage.
The Company has accounted for this change in accounting policy on a retroactive basis. Balance sheet amounts as at December 31, 2007 were restated as follows: deferred exploration expenditures were reduced by $26.4 million, future income taxes liabilities were reduced by $0.7 million, share capital increased by $2.2 million and the accumulated deficit increased by $27.9 million. The comparative operating results for the year ended December 31, 2007 and 2006 were also restated as follows: expenses increased by $11.4 million and $6.4 million, recovery of future income taxes decreased by $2.1 million and $0.5 million, net loss increased by $13.5 million and $6.9 million, and loss per common share increased by $0.16 and $0.11, respectively. The cumulative operating results for the period from March 22, 2004 to December 31, 2007 were restated as follows: expenses increased by $24.9 million, recovery of future income taxes decreased by $3.0 million, and net loss increased by $27.9 million.

The Company will continue to capitalize the acquisition costs of mineral properties and capital assets.

New Accounting Standards

On January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These new disclosure standards increase the Company's disclosure regarding the nature and risk associated with financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.
- Section 1535, Capital Disclosures. This new standard requires the Company to disclose its objectives, policies and processes for managing its capital structure.
- Section 1400, General Standards on Financial Statement Presentation. This standard requires management to assess at each balance sheet date and, if necessary, disclose any uncertainty

surrounding the ability of the Company to continue as a going concern. The adoption of this standard had no impact on the Company's disclosures in these interim financial statements.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of the Company evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) and concluded that the Company's disclosure controls and procedures were effective as of December 31, 2008.

Internal Controls over Financial Reporting

No changes have occurred in the Company's internal control over financial reporting during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting ("ICFR"). The Chief Executive Office and Chief Financial Officer of the Company evaluated the effectiveness of the Company's ICFR and, based upon this assessment, concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that the requirement for publicly-accountable companies to adopt International Financial Reporting Standards ("IFRS"), will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

During 2008, the Company scheduled an IFRS diagnostic study to assess the impact of the transition to IRFS on the Company's accounting policies and to establish a project plan to implement IFRS. Following this initial diagnostic step, which will be conducted during 2009, the Company will proceed to make a determination of the impact of transition to IFRS on its financial statements and systems, if any.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development of its business. Investment in the natural resource industry in general, and the exploration and development sector in particular, involves a great deal of risk and uncertainty. Current and potential investors should give special consideration to the risk factors involved. These factors are discussed more fully in our Annual Report on Form 20-F (Annual Information Form) dated March 18, 2009 which is filed on SEDAR at www.sedar.com or on the U.S. Securities and Exchange Commission's website at www.sec.gov.

Other Information

Other information relating to the Company may be found on the SEDAR website at www.sedar.com or on the U.S. Securities and Exchange Commission's website at www.sec.gov.

Directors and Officers

Jeffrey T. Klenda, B.A. –Chairman and Executive Director
W. William Boberg, M. Sc., P. Geo. – President, Chief Executive Officer and Director
James M. Franklin, PhD, FRSC, P. Geo. –Director and Technical Committee Chair
Paul Macdonell, Diploma Public Admin. – Director and Compensation Committee Chair
Robert Boaz, M. Econ., Hon. BA – Director and Corporate Governance and Nominating Committee Chair
Thomas Parker, M. Sc., P.E. – Director and Audit Committee Chair
Harold A. Backer, B. Sc. – Executive Vice President Geology and Exploration
Wayne W. Heili, B. Sc. – Vice President, Mining and Engineering
Paul W. Pitman, B. Sc. Hon. Geo., P. Geo. – Vice President, Canadian Exploration
Roger L. Smith, CPA, MBA – Chief Financial Officer and Vice President Finance, IT & Administration
Paul G. Goss, J.D., MBA – Corporate Counsel and Corporate Secretary

Corporate Offices

United States Headquarters: 10758 West Centennial Road, Suite 200 Littleton (Denver), Colorado 80127 Phone: (720) 981-4588	*Canadian Exploration Office:* 341 Main Street North, Suite 206 Brampton, Ontario L6X 3C7 Phone: (905) 456-5436
Wyoming Operations Office: 5880 Enterprise Drive, Suite 200 Casper, Wyoming 82609 Phone: (307) 265-2373	*Registered Canadian Office:* McCarthy Tétrault The Chambers, Suite 1400 40 Elgin St Ottawa, Ontario K1P 5K6 Phone: (613) 238-2000

Web Site
www.ur-energy.com

Trading Symbol
TSX: URE
NYSE Amex: URG

Independent Auditor
PricewaterhouseCoopers LLP, Vancouver

Corporate Legal Counsel
McCarthy Tétrault LLP, Ottawa

Corporate Banker
Royal Bank of Canada, Ottawa

Transfer Agent
Equity Transfer & Trust Company, Toronto
Registrar and Transfer Company (Co-Transfer Agent and Co-Registrar), New York

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Ur-Energy Inc.
(a Development Stage Company)

Audited Consolidated Financial Statements

December 31, 2008

(expressed in Canadian dollars)

PRICEWATERHOUSECOOPERS

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Chartered Accountants
PricewaterhouseCoopers Place
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Facsimile +1 604 806 7806

March 23, 2009

Auditors' Report
To the Shareholders of Ur-Energy Inc.

We have audited the consolidated balance sheets of **Ur-Energy Inc.** as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the three year then ended December 31, 2008, 2007 and 2006 and the cumulative period from March 22, 2004 to December 31, 2008 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years ended December 31, 2008, 2007 and 2006 and the cumulative period from March 22, 2004 to December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

Ur-Energy Inc.
(a Development Stage Company)
Consolidated Balance Sheets

(expressed in Canadian dollars)

	December 31, 2008 $	December 31, 2007 $ (as restated – see Note 2)
Assets		
Current assets		
Cash and cash equivalents (note 12)	25,799,735	26,312,757
Short-term investments	39,174,200	49,999,021
Marketable securities	7,500	37,000
Amounts receivable	132,710	876,374
Prepaid expenses	77,777	61,488
	65,191,922	77,286,640
Bonding and other deposits (note 3)	2,578,825	1,508,576
Mineral properties (note 4)	31,808,821	31,232,372
Capital assets (note 5)	1,631,304	903,734
Construction in progress (note 6)	323,093	-
	36,342,043	33,644,682
	101,533,965	110,931,322
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	2,265,058	1,432,624
Future income tax liability (note 7)	478,000	478,000
Asset retirement obligation (note 8)	513,576	181,672
	3,256,634	2,092,296
Shareholders' equity (note 9)		
Capital stock	144,396,460	141,623,534
Contributed surplus	12,721,559	8,202,595
Deficit	(58,840,688)	(40,987,103)
	98,277,331	108,839,026
	101,533,965	110,931,322

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

(signed) /s/ Jeffery T. Klenda Director

(signed) /s/ Thomas Parker Director

Ur-Energy Inc.
(a Development Stage Company)
Consolidated Statements of Operations, Comprehensive Loss and Deficit

(expressed in Canadian dollars)

	Year ended December 31, 2008 $	Year ended December 31, 2007 $ (as restated – see Note 2)	Year ended December 31, 2006 $ (as restated – see Note 2)	Cumulative From March 22, 2004 to December 31, 2008 $ (as restated – see Note 2)
Expenses				
General and administrative	6,904,564	7,305,315	5,540,691	21,923,049
Exploration and evaluation	9,922,798	15,654,041	6,821,291	39,782,553
Development expense	8,854,536	-	-	8,854,536
Write-off of mineral properties	285,813	-	33,832	319,645
	(25,967,711)	(22,959,356)	(12,395,814)	(70,879,783)
Interest income	2,494,445	2,816,398	629,724	6,078,439
Foreign exchange gain (loss)	5,656,319	(806,420)	(177,141)	5,568,239
Other income (loss)	(36,638)	-	-	(36,638)
	8,114,126	2,009,978	452,583	11,610,040
Loss before income taxes	(17,853,585)	(20,949,378)	(11,943,231)	(59,269,743)
Recovery of future income taxes (note 10)	-	429,055	-	429,055
Net loss and comprehensive loss for the period	(17,853,585)	(20,520,323)	(11,943,231)	(58,840,688)
Deficit - Beginning of period				
As previously reported	(13,080,150)	(6,018,383)	(957,857)	-
Change in policy for accounting for exploration and development costs (note 2)	(27,906,953)	(14,448,397)	(7,565,692)	-
As restated	(40,987,103)	(20,466,780)	(8,523,549)	-
Deficit - End of period	(58,840,688)	(40,987,103)	(20,466,780)	(58,840,688)
Loss per common share, basic and diluted	(0.19)	(0.24)	(0.20)	
Weighted average number of shares outstanding, basic and diluted	92,996,339	85,564,480	59,463,626	

The accompanying notes are an integral part of these consolidated financial statements

Ur-Energy Inc.
(a Development Stage Company)
Consolidated Statements of Cash Flow

(expressed in Canadian dollars)

	Year ended December 31, 2008 $	Year ended December 31, 2007 $ (as restated – see Note 2)	Year ended December 31, 2006 $ (as restated – see Note 2)	Cumulative From March 22, 2004 to December 31, 2008 $ (as restated – see Note 2)
Cash provided by (used in)				
Operating activities				
Net loss for the period	(17,853,585)	(20,520,323)	(11,943,231)	(58,840,688)
Items not affecting cash:				
Stock based compensation	4,567,206	6,138,922	3,505,517	14,762,197
Amortization of capital assets	515,138	76,069	34,857	626,064
Provision for reclamation	331,904	181,672	-	513,576
Write-off of mineral properties	285,813	-	33,832	319,645
Foreign exchange gain	-	(1,176,340)	(178,749)	(2,297,981)
Gain on sale of assets	(5,361)	-	-	(5,361)
Non-cash exploration costs (credits)	-	(87,389)	146,470	2,726,280
Other loss (income)	51,998	(37,000)	-	14,998
Future income taxes	-	(429,055)	-	(429,055)
Change in non-cash working capital items:				
Amounts receivable	743,664	(795,998)	70,706	(132,710)
Prepaid expenses	(16,289)	86,755	(49,543)	(77,777)
Accounts payable and accrued liabilities	832,434	796,375	277,125	2,265,058
	(10,547,078)	(15,766,312)	(8,103,016)	(40,555,754)
Investing activities				
Mineral properties	(874,762)	(1,400,202)	(787,529)	(10,460,812)
Construction in progress	(323,093)	-	-	(323,093)
Purchase of short- term investments	(65,828,987)	(49,999,021)	(3,000,000)	(128,658,008)
Sale of short-term investments	76,643,808	-	12,840,000	89,483,808
Increase in bonding and other deposits	(1,070,249)	(1,342,425)	(46,053)	(2,578,825)
Proceeds from sale of assets	26,344	-	-	26,344
Purchase of capital assets	(1,263,691)	(784,895)	(187,173)	(2,235,759)
	7,309,370	(53,526,543)	8,819,245	(54,746,345)
Financing Activities				
Issuance of common shares and warrants	2,750,000	77,744,735	20,351,499	122,668,053
Share issue costs	(115,314)	(246,119)	(288,800)	(2,569,025)
Proceeds from exercise of warrants, compensation options and stock options	90,000	1,334,547	12,733,749	18,567,931
Payment of New Frontiers obligation	-	(11,955,375)	(5,609,750)	(17,565,125)
	2,724,686	66,877,788	27,186,698	121,101,834
Net change in cash and cash equivalents	(513,022)	(2,415,067)	27,902,927	25,799,735
Cash and cash equivalents - Beginning of period	26,312,757	28,727,824	824,897	-
Cash and cash equivalents- End of period	25,799,735	26,312,757	28,727,824	25,799,735

The accompanying notes are an integral part of these consolidated financial statements

(expressed in Canadian dollars)

1. Nature of operations

Ur-Energy Inc. (the "Company") is a development stage junior mining company engaged in the identification, acquisition, evaluation, exploration and development of uranium mineral properties in Canada and the United States. The Company has not determined whether the properties contain mineral reserves. The recoverability of amounts recorded for mineral properties is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to develop the properties and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties. The Company is currently in the process of permitting its Lost Creek property. As identified in the June 2006 Technical Report on Lost Creek, National Instrument 43-101 compliant resource are 9.8 million pounds of U_3O_8 at 0.058 percent as an indicated resource and an additional 1.1 million pounds of U_3O_8 at 0.076 percent as an inferred resource.

2. Significant accounting policies

Basis of presentation

Ur-Energy Inc. was incorporated on March 22, 2004 under the laws of the Province of Ontario. The Company continued under the Canada Business Corporation Act on August 7, 2006. These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include all of the assets, liabilities and expenses of the Company and its wholly-owned subsidiaries Ur-Energy USA Inc., NFU Wyoming, LLC, Lost Creek ISR, LLC, The Bootheel Project, LLC, NFUR Bootheel, LLC, Hauber Project LLC, NFUR Hauber, LLC, ISL Resources Corporation, ISL Wyoming, Inc. and CBM-Energy Inc. All inter-company balances and transactions have been eliminated upon consolidation. Ur-Energy Inc. and its wholly-owned subsidiaries are collectively referred to herein as the “Company”.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates management makes in the preparation of these financial statements relate to potential impairment in the carrying value of the Company’s mineral properties and the fair value of stock based compensation. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents are investments in guaranteed investment certificates, certificates of deposit and money market accounts which have a term to maturity at the time of purchase of ninety days or less and which are readily convertible into cash.

Short-term investments

Short-term investments are comprised of guaranteed investment certificates and certificates of deposit which have a term to maturity at the time of purchase in excess of ninety days and less than one year. These investments are readily convertible into cash.

Bonding deposits

Bonding deposits are provided to support reclamation obligations on United States properties. Deposit amounts are invested in certificates of deposit held at United States financial institutions.

Mineral properties

Acquisition costs of mineral properties are capitalized. When production is attained, these costs will be amortized on the unit-of-production method based upon estimated recoverable resource of the mineral property. If properties are abandoned or sold, they are written off. If properties are considered to be impaired in value, the costs of the properties are written down to their estimated fair value at that time.

(expressed in Canadian dollars)

Exploration accounting policy change

In December 2008, the Company changed its policy for accounting for exploration and development expenditures. In prior years, the Company capitalized all direct exploration and development expenditures. Under its new policy, exploration, evaluation and development expenditures, including annual exploration license and maintenance fees, are charged to earnings as incurred until the mineral property becomes commercially mineable.

Management considers that a mineral property will become commercially mineable when it can be legally mined, as indicated by the receipt of key permits. Development expenditures incurred subsequent to the receipt of key permits will be capitalized and amortized on the unit-of-production method based upon the estimated recoverable resource of the mineral property. Management believes that this treatment provides a more relevant and reliable depiction of the Company's asset base and more appropriately aligns the Company's policies with those of comparable companies in the mining industry at a similar stage.

The Company has accounted for this change in accounting policy on a retroactive basis. Balance sheet amounts as at December 31, 2007 were restated as follows: deferred exploration expenditures were reduced by $26.4 million, future income taxes liabilities were reduced by $0.7 million, share capital increased by $2.2 million and the accumulated deficit increased by $27.9 million. The comparative operating results for the year ended December 31, 2007 and 2006 were also restated as follows: expenses increased by $11.4 million and $6.4 million, recovery of future income taxes decreased by $2.1 million and $0.5 million, net loss increased by $13.5 million and $6.9 million, and loss per common share increased by $0.16 and $0.11, respectively. The cumulative operating results for the period from March 22, 2004 to December 31, 2007 were restated as follows: expenses increased by $24.9 million, recovery of future income taxes decreased by $3.0 million, and net loss increased by $27.9 million.

The Company will continue to capitalize the acquisition costs of mineral properties and capital assets.

Capital assets and construction in progress

Capital assets are initially recorded at cost and are then amortized using the declining balance method at the following annual rates: computers at 30%, software at 50%, office furniture at 20%, field vehicles at 30%, and field equipment at 30%.

Financing costs

Financing costs, including interest, are capitalized when they arise from indebtedness incurred, directly or indirectly, to finance mineral property acquisitions or construction activities on properties that are not yet subject to depreciation or depletion. Once commercial production is achieved, financing costs are charged against earnings.

Impairment of long-lived assets

The Company assesses the possibility of impairment in the net carrying value of its long-lived assets when events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, recoverable indicated resources and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is determined using discounted future cash flows or other measures of fair value. Management's estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement

(expressed in Canadian dollars)

obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. Accretion charges to the asset retirement obligation are charged to the related exploration or development project.

Stock-based compensation

All stock-based compensation payments made to employees and non-employees are accounted for in the financial statements. Stock-based compensation cost is measured at the grant date based on the fair value of the reward and is recognized over the related service period. Stock-based compensation cost is charged to general and administrative expense, or exploration, evaluation and development projects on the same bases as other compensation costs.

Flow-through shares

The Company has financed a portion of its Canadian exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax benefits of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. Recognition of the foregone tax benefit is recorded at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred.

Foreign currency translation

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated using the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Expenses are translated at exchange rates in effect at the date the transaction is entered into. Translation gains or losses are included in the determination of income or loss in the statement of operations in the period in which they arise.

Income taxes

The Company accounts for income taxes under the asset and liability method which requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. The Company provides a valuation allowance on net future tax assets unless it is more likely than not that such assets will be realized.

Loss per common share

Basic loss per common share is calculated based upon the weighted average number of common shares outstanding during the period. The diluted loss per common share, which is calculated using the treasury stock method, is equal to the basic loss per common share due to the anti-dilutive effect of stock options and share purchase warrants outstanding.

Classification of financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, bonding and other deposits and accounts payable and accrued liabilities. The Company has made the following classifications for these financial instruments:

- Cash and cash equivalents are classified as "held for trading" and are measured at fair value at the end of each period with any resulting gains and losses recognized in operations
- Short term investments are classified as "held-to-maturity" and carried at cost plus accrued interest using the effective interest rate method, with interest income and exchange gains and losses included in operations
- Marketable securities are classified as "held for trading" and are measured at fair value at the end of each period with any resulting gains and losses recognized in operations

(expressed in Canadian dollars)

- Amounts receivable, bonding and other deposits are classified as "Loans and receivables" and are recorded at amortized cost. Interest income is recorded using the effective interest rate method and is included in income for the period.
- Accounts payable and accrued liabilities are classified as "Other financial liabilities" and are measured at amortized cost

Adoption of new accounting pronouncements

On January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These new disclosure standards increase the Company's disclosure regarding the nature and risk associated with financial instruments and how those risks are managed (see Note 12. The new presentation standard carries forward the former presentation requirements.
- Section 1535, Capital Disclosures. This new standard requires the Company to disclose its objectives; policies and processes for managing its capital structure (see Note 15).
- Section 1400, General Standards on Financial Statement Presentation. This standard requires management to assess at each balance sheet date and, if necessary, disclose any uncertainty surrounding the ability of the Company to continue as a going concern. The adoption of this standard had no impact on the Company's disclosures in these financial statements.

Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Future accounting pronouncements

Sections 3064 – Goodwill and Intangible Assets

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to the Company's annual and interim financial statements beginning January 1, 2009. The Company does not expect the adoption of these changes to have a material impact on its consolidated financial statements.

Convergence with International Financial Reporting Standards

In January 2006, Canada's Accounting Standards Board ("AcSB") ratified a strategic plan calling for the evolution and convergence of Canadian GAAP with IFRS, after a specified transition period, by publically accountable enterprises in Canada. The AcSB has more recently confirmed January 1, 2011 as the date IFRS will replace current Canadian GAAP standards and interpretations entities like the Company. As a result, the Company will be required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements beginning January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010.

The Company is currently developing an implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

Sections 1582, 1601 & 1602 – Business combinations, consolidated financial statements and non-controlling interests

These sections replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, Business Combinations (January 2008) and IAS 27, Consolidated and

(expressed in Canadian dollars)

Separate Financial Statements (January 2008). CICA 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual report reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on/after January 1, 2011.

3. Bonding and other deposits

Bonding and other deposits include $2,556,815 (December 31, 2007 – $1,397,607) of reclamation bonds deposited with United States financial institutions as collateral to cover potential costs of reclamation related to properties. Once the reclamation is complete, the bonding deposits will be returned to the Company.

4. Mineral properties

	Canada	USA		Total
Mineral properties:	Canadian Properties $	Lost Creek/ Lost Soldier $	Other US Properties $	$
Balance December 31, 2006	251,219	25,450,803	4,950,383	30,652,405
Acquisition costs	243,000	0	703,918	946,918
Staking and claim costs	41,351	226,028	936,950	1,204,329
Interest capitalized	-	407,951	36,925	444,876
Reduction in interest capitalized	-	(1,848,815)	(167,341)	(2,016,156)
Balance December 31, 2007	535,570	24,235,967	6,460,835	31,232,372
Acquisition costs	-	3,593	(11,341)	(7,748)
Staking and claim costs	80,944	75,777	587,640	744,361
Labor costs	-	1,375	69,826	71,201
Outside service costs	646	-	4,298	4,944
Other costs	-	4	49,500	49,504
Write-off	-	-	(285,813)	(285,813)
Balance December 31, 2008	617,160	24,316,716	6,874,945	31,808,821

Canada

The Company's Canadian properties include Screech Lake, which is located in the Thelon Basin, Northwest Territories and Bugs, which is located in the Kivalliq region of the Baker Lake Basin, Nunavut.

United States

Lost Creek and Lost Soldier

On June 30, 2005, the Company entered into definitive agreements with New Frontiers Uranium LLC, a Colorado limited liability company (the "New Frontiers LOI") to acquire certain Wyoming properties (the "New Frontiers Agreements"). Under the terms of the New Frontiers Agreements, the Company acquired a 100% interest in NFU Wyoming LLC which holds the majority of the Company's Wyoming properties, including the Lost Creek and Lost Soldier projects, for total consideration of $24,515,832 (US$20,000,000). A royalty on future production of 1.67% is in place with respect to 20 claims comprising a portion of the Lost Creek project claims.

(expressed in Canadian dollars)

Other US Properties

The Company's other US properties include EN, RS, and Bootheel and Buck Point, which are located in Wyoming.

During June 2007, the Company entered into an Exploration, Development and Mine Operating Agreement with Target Exploration & Mining Corporation and its subsidiary ("Target"). Under the terms of the agreement, the Company, through its wholly-owned subsidiary, NFUR Bootheel, LLC, contributed its Bootheel and Buck Point properties to The Bootheel Project, LLC. The projects cover an area of known uranium occurrences in Albany County, Wyoming in the Shirley Basin. The Bootheel and Buck Point properties contributed by the Company are comprised of certain mining claims and two state leases. The Company will make any data covering its Bootheel and Buck Point properties, and certain other data, available to the venture with Target. Target will contribute US$3 million in exploration expenditures and issue a total of 125,000 common shares of Target to the Company over a four year period in order to earn a 75% interest in The Bootheel Project, LLC. Minimum exploration expenditures of US$750,000 are required in each year during the four year earn-in period. Target is the operator of the Bootheel Project.

Impairment testing

Given the current disruption and uncertainty in the global economy, and the decrease in the Company's share price over the last year, management reviewed all of its significant mineral properties for potential impairment as at December 31, 2008.

For the Company's Lost Creek and Lost Soldier properties, management calculated the estimated undiscounted future net cash flows relating to these properties as a single asset group as the Company expects to mine the Lost Soldier property as a satellite facility, licensed through an amendment to the Lost Creek permits, and using the Lost Creek plant. Management calculated the future net cash flows using estimated future prices, indicated resources, and estimated operating, capital and reclamation costs.

The Company's estimates of indicated resources depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis. The operating, capital and reclamation costs are based upon similar production plants and current capital budgets for the project. The uranium prices used are based on current long term contract prices and external consensus prices which for uranium vary between US$50 and US$70 per pound. By their very nature there can be no assurance that these estimates will actually be reflected in future construction or operation at the projects.

Management's estimate of the undiscounted cash flows related to these mineral properties exceed their carrying value, therefore management concluded that the assets passed step 1 of the asset impairment test prescribed under generally accepted accounting principles, and therefore no write-down of these assets was recorded. Management's estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

For the Company's other properties, reliable cash flow forecasts cannot be made at this time. Management therefore tested these for impairment by comparing their carrying values to their estimated fair value based on non-NI 43-101 compliant resource estimates of indicated resources and a value of US$2 per pound in the ground. Management also considered the results of current exploration activities on the properties and future exploration plans and expenditures by both the Company and its development partners to assess whether these were inconsistent with other indicators of fair value. Based on the above, management concluded that the fair value of these properties exceeded the carrying amount and no impairment charges were recorded.

(expressed in Canadian dollars)

5. Capital assets

	December 31, 2008			December 31, 2007		
Capital assets:	Cost $	Accumulated Amortization $	Net Book Value $	Cost $	Accumulated Amortization $	Net Book Value $
Light vehicles	656,184	215,238	440,946	301,057	86,011	215,046
Heavy mobile equipment	424,559	103,903	320,656	-	-	-
Machinery and equipment	780,085	232,390	547,695	456,247	54,532	401,715
Furniture and fixtures	189,987	48,829	141,158	124,217	21,456	102,761
Computer equipment	178,633	66,672	111,961	135,865	28,988	106,877
Software	125,411	56,523	68,888	95,870	18,535	77,335
	2,354,859	723,555	1,631,304	1,113,256	209,522	903,734

6. Construction in progress

	USA	Total
Construction in progress:	Lost Creek $	$
Balance December 31, 2007	-	-
Plant design costs	323,093	323,093
Balance December 31, 2008	323,093	323,093

7. Deferred tax asset and future income tax liability

Significant components of the Company's future income tax assets and liabilities are as follows:

	Year ended December 31, 2008 $	Year ended December 31, 2007 $ (As restated – see Note 2)
Future income tax assets		
Deferred tax assets	18,104,000	8,494,000
Net operating loss carry forwards	2,389,000	3,403,000
Less: valuation allowance	(20,493,000)	(11,897,000)
	-	-
Future income tax liabilities		
Asset basis differences	(478,000)	(478,000)
Net deferred tax asset (future income tax liability)	(478,000)	(478,000)
Income tax loss carry forwards		
Canadian federal (expiring 2008 – 2028)	8,559,000	
Ontario provincial (expiring 2008 – 2028)	8,204,000	
United States federal (expiring (2015 – 2028)	5,900,000	

(expressed in Canadian dollars)

8. Asset retirement obligation

The Company has recorded $513,576 for asset retirement obligations (December 31, 2007 – $181,672) which represents an estimate of costs that would be incurred to remediate the exploration and development properties. The retirement obligations recorded relate entirely to exploration and development drill holes on the Company's Wyoming properties.

9. Shareholders' equity and capital stock

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of Class A preference shares with the rights, privileges and restrictions as determined by the Board of Directors at the time of issuance**.**

No class A preference shares have been issued

	Capital Stock		Contributed	Accumulated	Shareholders'
	Shares #	Amount $	Surplus $	Deficit $ (As restated – see Note 2)	Equity $ (As restated – see Note 2)
Balance, December 31, 2005	47,204,040	23,173,625	1,093,086	(8,523,549)	15,743,162
Common shares issues for cash, net of issue costs	9,204,727	20,062,699	-	-	20,062,699
Exercise of warrants	13,483,134	13,701,383	4,350	-	13,705,733
Exercise of compensation options	1,337,904	1,975,223	(694,436)	-	1,280,787
Exercise of stock options	106,500	206,152	(72,822)	-	133,330
Non-cash stock compensation	-	-	2,348,163	-	2,348,163
Common shares issued for properties	360,000	990,000	-	-	990,000
Common shares issued for services	1,778,747	1,303,824	-	-	1,303,824
Net loss and comprehensive loss	-	-	-	(11,943,231)	(11,943,231)
Balance, December 31, 2006	73,475,052	61,412,906	2,678,341	(20,466,780)	43,624,467
Common shares issues for cash, net of issue costs	17,431,000	77,503,307	-	-	77,503,307
Exercise of warrants	156,209	229,154	(72,341)	-	156,813
Exercise of compensation options	110,346	212,139	-	-	212,139
Exercise of stock options	774,000	1,553,528	(542,327)	-	1,011,201
Non-cash stock compensation	-	-	6,138,922	-	6,138,922
Common shares issued for properties	225,000	712,500	-	-	712,500
Net loss and comprehensive loss	-	-	-	(20,520,323)	(20,520,323)
Balance, December 31, 2007	92,171,607	141,623,534	8,202,595	(40,987,103)	108,839,026
Common shares issued for cash, net of issue costs	1,000,000	2,634,686	-	-	2,634,686
Exercise of stock options	72,000	138,240	(48,240)	-	90,000
Non-cash stock compensation	-	-	4,567,204	-	4,567,204
Net loss and comprehensive loss	-	-	-	(17,853,585)	(17,853,585)
Balance, December 31, 2008	93,243,607	144,396,460	12,721,559	(58,840,688)	98,277,331

2006 issuances

On December 14, 2006, the Company completed a private placement of 500,000 flow-through common shares at a purchase price of $5.00 per share for gross proceeds of $2,500,000. On August 30, 2006, the Company completed a bought deal financing for the issuance of a total of 8,522,727 common shares at a purchase price of $2.20 per common share for gross proceeds of $18,750,000.

(expressed in Canadian dollars)

On August 2, 2006, the Company completed a private placement of 182,000 flow-through common shares at a purchase price of $2.75 per share for gross proceeds of $500,500.

On June 19, 2006, the Company completed an acquisition of claim groups in the Great Divide Basin of Wyoming. The Company purchased the properties for an aggregate consideration of 250,000 common shares which were valued at $515,000.

On September 7, 2006, the Company entered into an option agreement to acquire the Bugs property in Nunuvat, Canada. The Company can earn a 100% interest in the property by issuing a total of 85,000 common shares to the vendor over a two year period. Upon signing, 10,000 common shares were issuable. These common shares were valued at $29,000.

In November 2006, the Company issued 100,000 common shares pursuant to the terms of the Dalco Agreement in connection with the Company's Radon Springs Project in Wyoming. These common shares were valued at $446,000.

A total of 1,778,747 common shares were issued for services to directors, officers and contractors of the Company.

2007 issuances

On May 10, 2007, the Company completed a bought deal financing for the issuance of 17,431,000 common shares at a price of $4.75 per share for gross proceeds of $82,797,250. Total direct share issue costs, including the underwriters' commissions were $5,293,943.

During September 2007, the Company issued 25,000 common shares with respect to the option agreement to acquire the Bugs property. These common shares were valued at $71,500. During December 2007, the Company issued the final installment of 50,000 common shares to complete its acquisition of a 100% interest in the Bugs property. These common shares were valued at $171,500.

In September 2007, the Company issued 150,000 common shares pursuant to the terms of the Dalco Agreement to complete its 100% earn-in with respect to the Company's Radon Springs Project in Wyoming. These common shares were valued at $469,500.

2008 issuances

On March 25, 2008, the Company completed a non-brokered private placement of 1,000,000 flow-through common shares at $2.75 per share raising gross proceeds of $2,750,000. Total direct share issues costs were $115,314.

Director, officer and contractor shares for service

The Company approved the potential issuance of a total of 2,760,000 common shares to directors and officers of the Company and contractors to the Company to compensate for services provided to the Company under various service contracts. The Company issued a total of 1,478,747 common shares valued at $736,824 with respect to these service contracts during the year ended December 31, 2006.

On May 24, 2006, the Company issued a total of 300,000 common shares for service to the President and Chief Executive Officer of the Company as a performance bonus. The issuance of these common shares was approved by the Company's shareholders on May 17, 2006. These common shares were fully vested upon issuance and were valued at $567,000.

Stock options

On November 17, 2005, the Company’s Board of Directors approved the adoption of the Company's stock option plan (the “Plan”). Eligible participants under the Plan include directors, officers and employees of the Company and consultants to the Company. Under the terms of the Plan, options generally vest with Plan participants as

(expressed in Canadian dollars)

follows: 10% at the date of grant; 22% four and one-half months after grant; 22% nine months after grant; 22% thirteen and one-half months after grant; and, the balance of 24% eighteen months after the date of grant.

In September 2008, the Company gave the holders of options with an exercise price of C$4.75 or higher the opportunity to voluntarily return all or a portion of these options to the Company by September 30, 2008 without any promise or guarantee that the option holders will receive any further options. Options for 2,490,000 shares with a weighted exercise price of $4.82 were returned to the Company. Previously unrecognized stock based compensation cost of $2.2 million was recognized at the cancellation date.

Activity with respect to stock options is summarized as follows:

	Number	Weighted-average exercise price $
Outstanding, December 31, 2005	4,375,000	1.25
Granted	2,035,000	2.42
Exercised	(106,500)	1.25
Forfeited	(897,500)	1.25
Outstanding, December 31, 2006	5,406,000	1.69
Granted	3,667,500	4.44
Exercised	(774,000)	1.31
Forfeited	(288,800)	4.29
Outstanding, December 31, 2007	8,010,700	2.89
Granted	1,075,000	1.66
Exercised	(72,000)	1.25
Forfeited	(295,000)	2.50
Voluntarily returned	(2,490,000)	4.82
Outstanding, December 31, 2008	6,228,700	1.95

As at December 31, 2008, outstanding stock options are as follows:

	Options outstanding		Options exercisable		
Exercise price $	**Number of options**	**Weighted-average remaining contractual life (years)**	**Number of options**	**Weighted-average remaining contractual life (years)**	**Expiry**
1.65	11,200	0.2	11,200	0.2	March 31, 2009
1.25	2,440,800	1.9	2,440,800	1.9	November, 17, 2010
2.01	75,000	2.2	75,000	2.2	March 25, 2011
2.35	1,450,000	2.3	1,450,000	2.3	April 21, 2011
2.75	399,200	2.7	399,200	2.7	September 26, 2011
4.75	45,000	3.4	45,000	3.4	May 15, 2012
3.67	200,000	3.5	152,000	3.5	July 15, 2012
3.00	437,500	3.6	332,500	3.6	August 9, 2012
3.16	50,000	3.7	50,000	3.7	September 17, 2012
2.98	50,000	3.8	38,000	3.8	October 5, 2012
4.07	30,000	3.9	22,800	3.9	November 7, 2012
2.11	25,000	4.2	13,500	4.2	March 19, 2013
1.65	990,000	4.4	316,800	4.4	May 8, 2013
1.72	25,000	4.6	8,000	4.6	August 6, 2013
1.95	6,228,700	2.7	5,354,800	2.4	

(expressed in Canadian dollars)

During the year ended December 31, 2008, the Company recorded a total of $4,567,206 related to stock option compensation (2007 - $6,138,922). This amount is included in shareholders' equity as contributed surplus and is recorded as an expense. The fair value of options granted during 2008 and 2007 was determined using the Black-Scholes option pricing model with the following assumptions:

	2008	2007	2006
Expected option life (years)	4.0	4.0	3.5 – 4.0
Expected volatility	65%	63% – 67%	67% – 72%
Risk-free interest rate	3.0% - 3.4%	3.9% – 4.6%	4.0% – 4.2%
Expected dividend rate	nil	nil	nil

10. Recovery of future income taxes

A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows:

	Year ended December 31, 2008 $	Year ended December 31, 2007 $ (As restated – see Note 2)	Year ended December 31, 2006 $ (As restated – see Note 2)
Canadian earnings (loss)	(3,596,937)	(5,736,500)	(4,604,079)
United States loss	(14,256,648)	(15,212,878)	(7,339,152)
Loss before income taxes	(17,853,585)	(20,949,378)	(11,943,231)
Statutory rate	33.5%	36.0%	36.0%
Expected recovery of income tax	(5,980,951)	(7,541,776)	(4,299,563)
Effect of foreign tax rate differences	(731,366)	(400,099)	(193,020)
Non-deductible amounts	1,530,012	1,367,320	45,828
Effect of change in enacted future tax rates	(43,662)	390,200	254,512
Effect of change in foreign exchange rates	(3,370,258)	1,620,332	(9,827)
ISL change in basis	-	(430,119)	-
Change in valuation allowance	8,596,225	4,565,087	4,202,070
Recovery of future income taxes	-	(429,055)	-

11. Supplemental cash flow information

	Year ended December 31, 2008 $	Year ended December 31, 2007 $	Year ended December 31, 2006 $
Cash paid during the year for:			
Income taxes, net of refunds received	-	-	-
Interest, net of capitalized interest	-	-	-
Non-cash financing and investing activities:			
Common shares issued for properties	-	712,500	990,000
Common shares and stock options provided for services	-	-	1,003,645
Interest capitalization on New Frontiers obligation	-	-	1,933,645

(expressed in Canadian dollars)

12. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, bonding and other deposits and accounts payable. The Company is exposed to risks related to changes in foreign currency exchange rates, interest rates and management of cash and cash equivalents and short term investments.

Cash and cash equivalents	**As at December 31, 2008 $**	**As at December 31, 2007 $**
Cash on deposit at banks	392,170	215,272
Guaranteed investment certificates	9,087,500	9,687,500
Certificates of deposit	15,288,183	13,748,140
Money market	1,031,882	2,661,845
	25,799,735	26,312,757

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short term investments and bonding deposits. The Company's cash equivalents and short-term investments consist of Canadian dollar and US dollar denominated guaranteed investment certificates and certificates of deposits. They bear interest at annual rates ranging from 0.75% to 3.25% and mature at various dates up to October 12, 2009. These instruments are maintained at financial institutions in Canada and the United States. Of the amount held on deposit, approximately $0.4 million is covered by either the Canada Deposit Insurance Corporation or the Federal Deposit Insurance Corporation, leaving approximately $64.6 million at risk should the financial institutions with which these amounts are invested cease trading. As at December 31, 2008, the Company does not consider any of its financial assets to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular cash flow forecasting of cash requirements to fund exploration and development projects and operating costs.

As at December 31, 2008 the Company's liabilities consisted of trade accounts payable of $2,265,058, all of which are due within normal trade terms of generally 30 to 60 days.

Market risk

Market risk is the risk to the Company of adverse financial impact due to changes in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company incurring a significant portion of its expenditures and a significant portion of its cash equivalents and short-term investments in United States dollars, and holding cash equivalents and short term investments which earn interest.

Interest rate risk
Financial instruments that expose the Company to interest rate risk are its cash equivalents and short term investments. The Company's objectives for managing its cash and cash equivalents are to ensure sufficient funds are maintained on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents on short-term deposit, the Company only uses high quality commercial banks and ensures that access to the amounts placed can generally be obtained on short-notice.

Currency risk
The Company incurs expenses and expenditures in Canada and the United States and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in Canadian and

(expressed in Canadian dollars)

US dollars. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

At December 31, 2008 the Company had cash and cash equivalents, short term investments and bonding deposits of approximately US$26.5 million (US$18.4 million as at December 31, 2007) and had accounts payable of US$1.7 million (US$1.2 million as at December 31, 2007) which were denominated in US dollars.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net US$ denominated assets and liabilities at year end. This sensitivity analysis assumes that changes in market interest rates do not cause a change in foreign exchange rates. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a +/- $3.0 million impact on net loss for the year ended December 31, 2008. This impact is primarily as a result of the Company having yearend cash and investment balances denominated in US dollars and US dollar denominated trade accounts payables. The financial position of the Company may vary at the time that a change in exchange rates occurs causing the impact on the Company's results to differ from that shown above.

The Company has also completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis assumes that changes in market foreign exchange rates do not cause a change in interest rates. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a +/- $0.6 million impact on net loss for the year ended December 31, 2008. This impact is primarily as a result of the Company having cash and short-term investments invested in interest bearing accounts. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that shown above.

13. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of uranium resource properties. The Company operates in Canada and the United States. Capital assets segmented by geographic area are as follows:

	December 31, 2008		
	Canada $	**United States** $	**Total** $
Bonding and other deposits	-	2,578,825	2,578,825
Mineral properties	617,160	31,191,661	31,808,821
Capital assets	7,847	1,623,457	1,631,304
Construction in progress	-	323,093	323,093

	December 31, 2007		
	Canada $	**United States** $	**Total** $
Bonding and other deposits	-	1,508,576	1,508,576
Mineral properties	535,570	30,696,802	31,232,372
Capital assets	10,288	893,446	903,734
Construction in progress	-	-	-

(expressed in Canadian dollars)

14. Commitments

Under the terms of operating leases for office premises in Littleton, Colorado and in Casper, Wyoming the Company is committed to minimum annual lease payments as follows:

Year ended December 31	**Amount $**
2009	337,456
2010	190,271
2011	176,833
2012	117,888
2013 and thereafter	-

15. Capital structure

The Company's capital structure is comprised of Shareholders' Equity. When managing its capital structure, the Company's objectives are to i) preserve the Company's access to capital markets and its ability to meet its financial obligations, and ii) finance its exploration and development activities.

The Company monitors its capital structure using future forecasts of cash flows, particularly those related to its exploration and development programs.

The Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust its exploration and development programs, operating expenditure plans, or issue new shares. The Company's capital management objectives have remained unchanged over the periods presented.

The Company is not subject to any externally imposed capital requirements.

16. Differences between Canadian and United States generally accepted accounting principles

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain material respects from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Had the Company followed US GAAP, certain items on the consolidated balance sheets, consolidated statements of operations and deficit, and consolidated statements of cash flow would have been reported as follows:

(expressed in Canadian dollars)

Consolidated balance sheets	**As at December 31, 2008 $**	**As at December 31, 2007 $**
Total assets		
Total assets under Canadian GAAP	101,533,965	110,931,322
Adjustments made under US GAAP:		
Settlement of New Frontiers obligation (a)	-	2,016,156
Total assets under US GAAP	101,533,965	112,947,478
Total liabilities		
Total liabilities under Canadian GAAP	3,256,634	2,092,296
Adjustments made under US GAAP:		
Flow-through share premium liability (b)	830,000	-
Deferred tax adjustment (c)		(478,000)
Total liabilities under US GAAP	4,086,634	1,614,296
Total shareholders' equity		
Total shareholders' equity under Canadian GAAP	98,277,331	108,839,026
Adjustments made under US GAAP:		
Gain on settlement of New Frontiers obligations (a)	-	2,016,156
Flow-through share premium liability (b)	(830,000)	-
Deferred tax adjustment (c)	-	478,000
Total shareholders' equity under US GAAP	97,447,331	111,333,182

Consolidated statements of operations and comprehensive loss	**Year ended December 31, 2008 $**	**Year ended December 31, 2007 $**	**Year ended December 31, 2006 $**
Net loss			
Net loss under Canadian GAAP	(17,853,585)	(20,520,323)	(11,943,231)
Adjustments made under US GAAP:			
Gain on settlement of New Frontiers obligation (a)	-	2,016,156	-
Flow-through shares (b)	-	(370,000)	519,500
Net loss under US GAAP, being comprehensive loss	(17,853,585)	(18,874,167)	(11,423,731)
Basic and diluted loss per share under US GAAP	(0.19)	(0.22)	(0.19)

(expressed in Canadian dollars)

Consolidated statements of cash flow	Year ended December 31, 2008 $	Year ended December 31, 2007 $	Year ended December 31, 2006 $
Operating activities			
Cash flows used in operating activities under Canadian & US GAAP	(10,547,078)	(15,766,312)	(8,103,016)
Investing activities			
Cash flows used in provided by (used in)investing activities under Canadian GAAP	7,309,370	(53,526,543)	8,819,245
Adjustments made under US GAAP:			
Flow-through cash categorized as restricted cash (b)	(848,607)	(2,653,315)	2,274,251
Cash flows used in operating activities under US GAAP	6,460,763	(56,179,858)	11,093,496

(a) Settlement of New Frontiers obligation

Under US GAAP, early extinguishment of the New Frontiers debt obligation would have resulted in a gain recorded in income related to the accrued interest not payable upon settlement.

(b) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. Under Canadian GAAP, the Company has recorded the full amount of the proceeds received on issuance as capital stock. Upon renouncing the income tax deductions, capital stock is reduced by the amount of the future income tax liability recognized.

For US GAAP, the proceeds on issuance of the flow-through shares are allocated between the offering of the shares and the sale of the tax benefit when the shares are issued. The premium paid by the investor in excess of the fair value of non flow-through shares is recognized as a liability at the time the shares are issued and the fair value of non flow-through shares is recorded as capital stock. Upon renouncing the income tax deductions, the premium liability is re-characterized as deferred income taxes and the difference between the full deferred income tax liability related to the renounced tax deductions and the premium previously recognized is recorded as an income tax expense.

Also, notwithstanding whether there is a specific requirement to segregate the funds, the flow-through funds which were unexpended at the consolidated balance sheet dates are considered to be restricted and are not considered to be cash and cash equivalents under US GAAP. As at December 31, 2008, there was $848,607 (December 31, 2007 - $nil) in unexpended flow-through cash funds.

(c) Deferred tax asset

The tax basis related to an asset acquired in 2004 when the Company acquired all of the issued and outstanding shares of ISL Resources Corporation was subsequently adjusted in 2007.

(d) Impact of recent United States accounting pronouncements

(expressed in Canadian dollars)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements in accounting pronouncements where fair value is already the relevant measurement attribute. In November 2007, FASB agreed to a one-year deferral associated with the effective date for nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis. The Company adopted the applicable portions SFAS 157 effective January 1, 2008. Adoption did not result in a material impact on the consolidated financial statements. The Company is currently assessing the deferred portion of the pronouncement.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159"), which became effective for fiscal years beginning after November 15, 2007. SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value on a per instrument basis, with changes in fair value recognized in earnings each reporting period. This will enable some companies to reduce volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. . The Corporation adopted SFAS 159 on January 1, 2008 and chose not to elect the fair value option for its financial assets and liabilities that had not previously been carried at fair value.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), which applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. SFAS 141(R) establishes principles and requirements for how the acquirer: i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

In December 2007, FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statement, - an amendment of ARB No. 51*", ("SFAS 160") which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for the Corporation beginning January 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively.

In May 2008, FASB issued SFAS No. 162 "*The Hierarchy of Generally Accepted Accounting Principles*" ("SFAS 162"). SFAS 162 identifies the sources of generally accepted accounting principles in the United States. SFAS 162 is effective sixty days following the SEC's approval of PCAOB amendments to AU Section 411, "*The Meaning of 'Present fairly in conformity with generally accepted accounting principles*'". The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 162 on its consolidated financial statements.

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