

Delta Uranium Inc.

(an exploration stage company)

Consolidated Financial Statements

For the 3 months ended May 31, 2008

(unaudited)

Management's Comments on Unaudited Interim Consolidated Financial Statements

These unaudited interim consolidated financial statements of Delta Uranium Inc. (the "Company") for the 3 months ended May 31, 2008 have been prepared by management and approved by the Board of Directors of the Company.

These unaudited interim consolidated financial statements have not been reviewed by the Company's external auditors.

Delta Uranium Inc.
(an exploration stage company)
Consolidated Balance Sheets

	As at May 31, 2008 \$ (unaudited)	As at February 29, 2008 \$
Assets		
Current		
Cash and cash equivalents	5,971,055	7,777,914
Receivables	81,762	50,202
Prepaid expenses	332,670	141,460
	<hr/> 6,385,486	<hr/> 7,969,576
Mineral resource properties (note 4)	3,716,751	3,085,062
Capital assets (note 5)	334,454	230,355
	<hr/> 10,436,692	<hr/> 11,284,993
Liabilities		
Current		
Accounts payable and accrued liabilities	50,116	322,259
	<hr/>	<hr/>
Shareholders' equity		
Share capital (note 6)	11,898,001	11,898,001
Contributed surplus (note 6)	915,761	749,937
Deficit	(2,427,186)	(1,685,204)
	<hr/> 10,386,576	<hr/> 10,962,734
	<hr/> 10,436,692	<hr/> 11,284,993

Approved by the Board:

Wayne Isaacs
Director

Kirk Boyd
Director

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

Delta Uranium Inc.

(an exploration stage company)

Consolidated Statements of Operations and Deficit

	3 months ended May 31,		Cumulative
	2008	2007	from
	\$	\$	July 13,
	(unaudited)	(unaudited)	2005 to
			May 31,
			2008
			\$
			(unaudited)
General and administrative expenses			
Professional fees	10,000	-	111,146
Consulting fees	136,610	-	370,887
Management fees	-	-	486,363
Salaries and benefits	190,810	-	229,569
Stock-based compensation	165,824	-	915,761
General and office	96,623	3,842	238,650
Investor relations	95,278	-	284,168
Travel	92,903	-	125,901
Interest	-	-	10,042
Amortization	15,497	-	23,269
	803,546	3,842	2,795,758
Loss before the undernoted items	(803,546)	(3,842)	(2,795,758)
Interest income	61,565	-	168,048
Gain on sale of investments	-	-	162,826
Loss before income taxes	(741,981)	(3,842)	(2,464,883)
Income taxes	-	-	(207,600)
Loss for the period	(741,981)	(3,842)	(2,257,283)
Deficit, beginning of period	(1,685,204)	(8,485)	-
Change in accounting policy	-	-	177,766
Net liabilities acquired	-	-	(347,668)
Deficit, end of period	(2,427,185)	(12,327)	(2,427,185)
Loss per share-basic and diluted	(0.026)	(0.000)	
Weighted average number of common shares outstanding during the period-basic and diluted	29,069,787	12,041,874	

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

Delta Uranium Inc.

(an exploration stage company)

Consolidated Statements of Cash Flows

	3 months ended May 31,		Cumulative
	2008	2007	from July 13,
	\$	\$	2005 to
	(unaudited)	(unaudited)	May 31,
			2008
			\$
			(unaudited)
Cash provided by (used in)			
Operating activities			
Loss for the period	(741,981)	(3,842)	(2,257,283)
Items not affecting cash			
Issue of common shares for consulting fees	-	-	100,000
Stock-based compensation	165,824	-	915,761
Amortization	15,497	-	23,269
Gain on sale of marketable securities	-	-	(162,826)
Future income taxes	-	-	(207,600)
Changes in non-cash operating working capital			
Receivables	(31,560)	-	(81,762)
Prepaid expenses	(191,210)	-	(332,670)
Accounts payable and accrued liabilities	(272,144)	66,000	(297,552)
	<u>(1,055,574)</u>	<u>62,158</u>	<u>(2,300,664)</u>
Financing activities			
Issuance of common shares for cash	-	-	10,996,501
Investing activities			
Marketable securities	-	-	(131,495)
Proceeds on sale of marketable securities	-	-	511,187
Purchase of capital assets	(119,596)	-	(357,723)
Mineral resource properties expenditures	(631,689)	(288,143)	(2,746,751)
	<u>(751,285)</u>	<u>(288,143)</u>	<u>(2,724,782)</u>
Net increase (decrease) in cash	(1,806,859)	(225,985)	5,971,055
Cash, beginning of period	7,777,914	534,188	-
Cash, end of period	5,971,055	308,203	5,971,055

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

Delta Uranium Inc.

(an exploration stage company)

Notes to Consolidated Financial Statements

May 31, 2008

(unaudited)

1. Nature of operations and continuance of operations

Delta Uranium Inc. (the "Company") was incorporated under the laws of Ontario. The Company and its subsidiary operate solely in the exploration and development of uranium mineral resource properties in Canada.

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties.

The amount shown for mineral resource properties does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource properties.

2. Accounting presentation and disclosures

These unaudited consolidated financial statements of the Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual financial statements. Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these consolidated financial statements should be read in conjunction with the annual consolidated financial statements.

Accounting changes

On March 1, 2008, the Company adopted amendments to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" which includes requirements to assess and disclose an entity's ability to continue as a going concern; disclosure of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern; disclosure of when financial statements are not prepared on a going concern basis, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

On March 1, 2008, the Company adopted CICA Handbook Section 1535, "Capital Disclosures" which requires disclosure of qualitative information about its objectives, policies and processes for managing capital; disclosure of quantitative data about what is regarded as capital; and disclosure of compliance with any externally imposed capital requirements and the consequences of such non-compliance.

On March 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation" which requires disclosures to enable users to evaluate the significance of financial instruments on the entity's financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives.

Beyond additional disclosure, the adoption of these new accounting standards did not have an effect on the Company's financial statements.

Future accounting changes

On March 1, 2009, the Company will adopt CICA Handbook Section 3031, "Inventories", which will replace Section 3030. The new standard requires that inventories be measured at the lower of cost and the net realizable value, provides guidelines on determining cost, prohibits the use of the last-in, first-out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases.

On March 1, 2009, the Company will adopt CICA Handbook Section 3064, "Goodwill and Intangible Assets" which will replace Section 3062. 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 pre-production and start-up costs and requires that these costs be expensed as incurred. Concurrent with the introduction of this standard, the CICA withdrew EIC27, Revenues and Expenses during the pre-operating period.

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

3. Reverse takeover transaction

On November 9, 2007, the Company acquired all of the issued and outstanding common shares of 4316282 Canada Inc. ("4316282 Canada") in exchange for 21,716,991 common shares of the Company. As the shareholders of 4318262 Canada controlled the Company once the acquisition was completed, the acquisition has been accounted for as a reverse takeover, whereby 4318262 Canada is the acquirer and the Company was the acquiree.

In connection with the reverse-takeover, the following transactions were completed:

- a) the Company issued 3,000,503 common shares to redeem its issued and outstanding redeemable convertible preference Series A shares on the basis on 12.4159 common shares for each 241,666 redeemable convertible preference Series A share outstanding.
- b) 4318262 Canada completed a private placement of 8,833,000 common shares at a price of \$1.00 per common share for proceeds of \$8,833,000.
- c) the Company issued stock options and warrants to replace the issued and outstanding stock options and warrants of 4316282 Canada.

Since the transaction did not constitute a business combination, the transaction is accounted for as a capital transaction, that is, a financing and recapitalization of the Corporations. Accordingly,

- a) 4318262 Canada was deemed to be the acquirer for accounting purposes and its assets and liabilities are included in the consolidated financial statements of the continuing entity at their historical value.
- b) the comparative figures reported are those of 4318262 Canada.
- c) the number and class of outstanding shares reported are those of the Company, adjusted for the acquisition while the dollar amounts relating to share capital are those of 4318262 Canada.
- d) contributed surplus and deficit of the Company were eliminated upon its acquisition of 4316282 Canada and the fair value of the net liability assumed of \$347,668 was charged to the deficit. The fair value of the net liability equaled its book value.

4. Mineral resource properties

As at May 31, 2008, the Company owns the following claims located in Ontario:

	Kenora \$	Northwestern Aerobus \$	Boyer Lake \$	Northeastern Timmins	Total \$
Balance, November 30, 2006	982,346	—	100,000	309,200	1,391,546
Acquisition costs-common shares	—	270,000	—	—	270,000
Exploration costs	1,268,823	—	41,834	112,859	1,423,516
Balance, February 29, 2008	2,251,169	270,000	141,834	422,059	3,085,062
Acquisition costs	—	—	—	154,600	154,600
Exploration costs	437,971	—	39,118	—	477,089
Balance, May 31, 2008	2,689,140	270,000	180,952	576,659	3,716,751

Northwestern Ontario

Kenora (formerly known as Eagle Lake)

The Company owns a 100% interest in the Kenora uranium property consisting of 3,046 mineral claims covering 48,736 hectares located 30 km east of Kenora, Ontario and 30 km west of Dryden, Ontario.

Aerobus

The Company owns a 100% interest in Aerobus property consisting of 496 claims covering 7,936 hectares located in northwestern Ontario approximately 25 km northeast of the Company's Kenora property. Aerobus was acquired by staking and the issuance of 540,000 common shares (note 7).

Boyer Lake (formerly known as Canamerica)

The Company owns a 100% interest in the Boyer Lake gold property known as the Upper Manitou Lake consisting of 57 mineral claims covering 912 hectares located along the northeastern shore of upper Manitou Lake 30 km south of Dryden, Ontario.

Northeastern Ontario

Timmins

The Company owns a 100% interest in Timmins uranium property consisting of 12 mineral licenses comprising 3,029 claims covering 48,464 hectares located in northeastern Ontario and stretches from Shining Tree to Sault Ste Marie. The property was acquired by staking.

5. Capital assets

	May 31, 2008	February 29, 2008
	\$	\$
Office equipment	87,229	65,622
Accumulated amortization	6,281	2,589
	<hr/> 80,948	<hr/> 63,033
Computer equipment	54,237	51,485
Accumulated amortization	5,944	2,140
	<hr/> 48,293	<hr/> 49,345
Leasehold improvements	47,713	41,608
Accumulated amortization	3,775	1,623
	<hr/> 43,938	<hr/> 39,985
Vehicles	79,412	79,412
Accumulated amortization	7,269	1,420
	<hr/> 72,143	<hr/> 77,992
Equipment	89,132	—
	<hr/> 334,454	<hr/> 230,355

6. Share capital and other equity

Authorized

An unlimited number of preference shares issuable in series with terms to be fixed by the Board of Directors.

An unlimited number of common shares without par value.

Issued

	Number of common shares	Amount \$
Common shares of 4318262 Canada		
Balance, November 30, 2006	10,949,001	1,350,001
Issued for cash:		
Private placements of flow-through units	1,310,000	655,000
Private placement of common shares (note 3)	8,833,000	8,833,000
Fair value of warrants issued	—	(103,000)
Exercise of options	140,000	14,000
Exercise of warrants	1,967,500	922,500
Issued as payment for mineral resource properties (note 5)	540,000	270,000
Renunciation of flow-through expenditures	—	(43,500)
Common shares of the Company		
Shares outstanding as of date of reverse takeover transaction (note 3)	5,330,286	—
Balance, February 29, 2008 and May 31, 2008	29,069,787	11,898,001

Stock options

Under a fixed stock option plan, the Company may grant options to its employees, directors, officers and consultants for up to 4,000,000 common shares. The exercise price of each option shall not be less than the closing price of the Company's common shares on the TSX Exchange on the last trading day immediately preceding the date of grant of the option. The option period for each option shall not exceed 5 years. Options granted vest in 6 equal installments on the date of grant and then at 6 months, 9 months, 1 year, 15 months and 18 months after the date of grant. At May 31, 2008, there were 555,000 options available to be granted under the stock option plan.

A summary of stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Date of grant	March 3, 2008
Stock options granted	575,000
Exercise price	\$1.00
Expiry date	March 3, 2013
Fair value	256,320
Risk-free interest rate	3.09%
Expected volatility	100%
Expected life of warrants	5 years

A summary of the Company's fixed stock option plan is presented below:

	Number of options	Weighted- average exercise price \$
Balance, November 30, 2006	210,000	0.10
Granted	2,800,000	0.79
Exercised	(140,000)	0.10
Balance, February 29, 2008	2,870,000	0.77
Granted	575,000	1.00
Balance, May 31, 2008	3,445,000	0.81

A summary of the Company's fixed stock options outstanding as at May 31, 2008 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.10	70,000	70,000	December 19, 2008
\$0.40	1,000,000	1,000,000	December 20, 2011
\$1.00	1,800,000	600,000	November 20, 2012
\$1.00	575,000	95,833	March 3, 2013
	<u>3,445,000</u>	<u>1,765,833</u>	

Contributed surplus

	\$
Balance, November 30, 2006	—
Stock-based compensation	749,937
Balance, February 29, 2008	749,937
Stock-based compensation	165,824
Balance, May 31, 2008	<u>915,761</u>

7. Related party transactions

For the 3 months ended May 31, 2008, salaries includes \$120,000 (2007 - \$nil) paid to two directors and officers of the Company, mineral resource properties includes \$47,600 of consulting fees (2007 - \$nil) paid to a director of the Company and investor relations includes \$4,352 (2007 - \$nil) paid to a company controlled by a director of the Company.

These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

8. Capital disclosures

Capital of the Company consists of the components of shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource properties for the benefit of its shareholders.

As the Company is in the exploration stage, its principal source of capital is from the issue of common shares. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions.

9. Financial instruments and risk management

The carrying value of cash, receivables, accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk interest rate risk and commodity price risk.

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 8.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

Commodity price risk

The Company is exposed to commodity price risk with respect to uranium prices. A significant decline in uranium prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource property.

10. Subsequent events

On June 26, 2008, the shareholders of the Company approved amendments to the stock option plan to permit Company to grant options to its employees, directors, officers and consultants for up to 5,813,957 common shares. The exercise price of each option shall not be less than the closing price of the Company's common shares on the TSX Exchange on the last trading day immediately preceding the date of grant of the option. The option period for each option shall not exceed 10 years and vesting of options shall be determined by the Board of Directors on the date of grant.

On July 8, 2008, the Company granted 1,160,000 stock options to officers, directors and employees entitling the holder to purchase one common share at a price of \$1.00 per common share until July 8, 2013.