The accompanying consolidated financial statements have been prepared by management and are in accordance with Canadian generally accepted accounting principles and reflect informed judgments and estimates based on currently available information and with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information in the consolidated financial statements.

As a means of fulfilling its responsibility, management relies on the system of internal controls of First Uranium Corporation (First Uranium or the Corporation). This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management’s authorization and that the accounting records provide a solid foundation from which to prepare the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting solely of non-management directors. The Audit Committee meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of the external audit, the adequacy of the system of internal controls and financial reporting issues.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Gordon T. Miller
President & Chief Executive Officer

Emma Oosthuizen
Senior Vice President & Chief Financial Officer

June 9, 2008

To the Shareholders of First Uranium Corporation

We have audited the consolidated balance sheets of First Uranium Corporation as at March 31, 2008 and 2007, the consolidated statements of operations and deficit and comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
June 9, 2008

CONSOLIDATED BALANCE SHEETS

as at March 31, 2008 and 2007

(in thousands of US dollars)	Notes	2008	2007
Assets			
Current assets			
Cash and cash equivalents		**164,739**	138,914
Accounts receivable	5	**9,720**	1,713
Inventories	6	**2,808**	292
Receivables from related party	24	**–**	6,763
		177,267	147,682
Non-current assets			
Property, plant and equipment	7	**204,650**	30,954
Asset retirement funds	8	**4,847**	2,791
Loan to related party	24	**978**	–
		210,475	33,745
Total assets		**387,742**	181,427
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**24,303**	5,702
Payables to related party	24	**541**	–
		24,844	5,702
Non-current liabilities			
Senior unsecured convertible debentures	11	**99,880**	–
Future tax liability	16	**10,649**	–
Asset retirement obligations	12	**19,901**	5,377
		130,430	5,377
Shareholders' equity			
Share capital	13	**215,935**	182,673
Equity portion of senior unsecured convertible debentures	11	**46,504**	–
Contributed surplus	14	**7,008**	2,460
Contribution from parent	15	**153**	–
Accumulated deficit		**(37,132)**	(14,785)
		232,468	170,348
Total liabilities and shareholders' equity		**387,742**	181,427

See accompanying notes to the Consolidated Financial Statements

Approved on behalf of the Board of Directors

Nigel R. G. Brunette
Non-Executive Chairman

Wayne S. Hill
Audit Committee Chairman

June 9, 2008

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT AND COMPREHENSIVE LOSS

for the years ended March 31, 2008 and 2007

(in thousands of US dollars)	Notes	2008	2007
Revenue		**21,429**	–
Cost of sales		**(16,580)**	–
Gross Profit		**4,849**	–
Other income	17	**2,738**	27
Expenditures			
General, consulting and administrative expenditures		**(15,573)**	(3,262)
Stock-based compensation	14	**(5,125)**	(2,460)
Pumping, feasibility and rehabilitation costs		**(5,343)**	(871)
		(26,041)	(6,593)
Operating loss before the undernoted		**(18,454)**	(6,566)
Interest income		**14,847**	3,433
Interest expense		**(5,782)**	(162)
Accretion expense on convertible debentures	11	**(8,485)**	–
Accretion expense on asset retirement obligations	12	**(896)**	–
Foreign exchange losses	18	**(2,611)**	(4,612)
Loss before income taxes		**(21,381)**	(7,907)
Income tax charge	16	**(966)**	(21)
Loss for the year		**(22,347)**	(7,928)
Accumulated deficit at the beginning of the year		**(14,785)**	(6,857)
Accumulated deficit at the end of the year		**(37,132)**	(14,785)
Basic and diluted loss per common share (US$)	19	**(0.18)**	(0.08)
Weighted average number of basic and diluted common shares outstanding ('000)	19	**126,096**	97,522
Loss for the year		**(22,347)**	(7,928)
Comprehensive loss	3	**(22,347)**	(7,928)

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended March 31, 2008 and 2007

(in thousands of US dollars)	Notes	2008	2007
Loss for the year		**(22,347)**	(7,928)
Changes not affecting cash:			
Interest income	20.1	**(194)**	(666)
Interest expense	20.2	**1,579**	162
Accretion expense on convertible debentures	11	**8,485**	–
Accretion expense on asset retirement obligations	12	**896**	244
Amortization on property, plant and equipment	7	**1,781**	14
Stock-based compensation	14	**5,125**	2,460
Loss after interest and non-cash items		**(4,675)**	(5,714)
Expenses in respect of asset retirement fund	8	**–**	80
Expenses in respect of asset retirement obligations	12	**(1,841)**	–
Movement in working capital:			
Increase in inventories		**(1,107)**	(292)
Increase in accounts receivable		**(7,740)**	(1,570)
Decrease (increase) in net receivables from/payables to related parties	20.3	**7,304**	(9,880)
Increase in accounts payable and accrued liabilities		**6,336**	1,633
Cash flows utilized in operating activities		**(1,723)**	(15,743)
Additions to property, plant and equipment	20.4	**(112,751)**	(24,270)
Increase in asset retirement fund		**(109)**	(103)
Net cash movement on acquisition of MWS	20.5	**1,248**	–
Cash outflow from investing activities		**(111,612)**	(24,373)
Issuance of senior unsecured convertible debentures net of issue costs	11	**130,561**	–
Bridging loan to facilitate Waterpan transaction	24	**42,377**	–
Repayment of bridging loan pursuant to Waterpan transaction	24	**(42,377)**	–
Proceeds from exercise of share options	13	**1,063**	–
Proceeds from issuance of common shares net of issue costs	13	**–**	178,470
Cash inflow from financing activities		**131,624**	178,470
Net effect of exchange rate changes on cash held in foreign currencies		**7,536**	–
Net increase in cash and cash equivalents for the year		**25,825**	138,354
Cash and cash equivalents, beginning of the year		**138,914**	560
Cash and cash equivalents, end of the year		**164,739**	138,914

See accompanying notes to the Consolidated Financial Statements
Supplementary information (Note 20)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

First Uranium Corporation is a Canadian resource company focused on the development of uranium and gold projects in South Africa. See Note 7, Property, Plant and Equipment for a description of the Corporation's key projects. The Corporation has a primary listing on the Toronto Stock Exchange (TSX) and a secondary listing on the Johannesburg Stock Exchange (JSE). First Uranium owns 100% of First Uranium Limited (FUL), which in turn holds 100% of First Uranium (Proprietary) Limited (FUSA) and 100% of Ezulwini Mining Company (Proprietary) Limited (EMC), which owns and operates the Ezulwini Mine.

On June 6, 2007, the Corporation, through FUSA, acquired all the issued and outstanding shares of Mine Waste Solutions (Proprietary) Limited and its subsidiary, Chemwes (Proprietary) Limited (collectively MWS), an existing tailings treatment company which had an operating gold recovery plant in place. As a result of the MWS acquisition, First Uranium changed its plans for the Buffelsfontein Tailings Recovery Project so that the historical and future tailings from the Buffelsfontein mine (the Buffelsfontein Tailings) are now transported by pipeline to the MWS site and processed through MWS's existing gold plant and, subject to their completion, through the new uranium recovery plant and additional gold recovery facilities which are currently being constructed at the MWS site. The Buffelsfontein Tailings Recovery Project, as enhanced and modified by the addition of MWS, is henceforth referred to as MWS.

On December 14, 2007, First Uranium issued 6.1 million shares to Waterpan Mining Consortium (Waterpan) completing the purchase of the remaining 10% interest in EMC (the Waterpan transaction) as contemplated in the Corporation's initial public offering in December 2006 (the Offering) and as disclosed in the Offering documents and in the annual consolidated financial statements for the year ended March 31, 2007 and the interim consolidated financial statements for the three months ended June 30, 2007, September 30, 2007 and December 31, 2007. This transaction resulted in EMC becoming wholly owned by First Uranium. First Uranium and Waterpan collaborated to effect this transaction considering the terms of the Offering and, as such, the acquisition of the remaining 10% interest in EMC is accounted for under Canadian generally accepted accounting principles (Canadian GAAP) as a continuity of interests.

All amounts in these financial statements are in US$, except where otherwise indicated.

1.1 Investment in subsidiaries

1.2 Basis of preparation

The consolidated financial statements have been prepared by First Uranium in accordance with Canadian GAAP.

Consolidated financial statements

The acquisition by First Uranium of shareholdings in FUSA and EMC are accounted for under Canadian GAAP as a continuity of interests. Certain adjustments have been reflected in the financial statements to reflect the reorganization pursuant to which First Uranium acquired 100% of FUSA and 100% of EMC.

Acquisition from entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The assets and liabilities acquired in a business combination under common control are recognized at the carrying amounts recognized previously in the Corporation's controlling shareholder, Simmer and Jack Mines, Limited's (Simmer & Jack), consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Consolidation

The consolidated financial statements include the accounts of First Uranium and all of its subsidiaries (including special purpose entities/variable interest entities). All significant inter company balances and transactions are eliminated on consolidation.

2.2 Subsidiaries

A subsidiary is an entity which is controlled by the Corporation. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of First Uranium and its subsidiaries after eliminating inter company balances and transactions.

2.3 Use of estimates

The preparation of these consolidated financial statements in accordance with Canadian GAAP 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 consolidated financial statements and the reported amount of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the determination of impairment of capital assets, goodwill estimation of future site restoration costs and future income taxes, and classification of current portion of long term debt. Financial results as determined by actual events could differ from those estimated.

2.4 Foreign currency translation

Items included in the financial statements of each entity in the Corporation are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of operations and deficit, and comprehensive loss.

The translated amounts are of a foreign entity where its subsidiaries are accounted for as integrated foreign operations and as such, the translation to US$ was made using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated in US$ at the year-end exchange rates, while non-monetary items are translated at the exchange rate in effect at the transaction dates. Revenue and expense items are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations and deficit, and comprehensive loss.

2.5 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Corporation; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Property, plant and equipment are carried at cost less accumulated amortization and any impairment losses.

Amortization is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, over their useful lives as follows:

Item	Average useful life
Buildings Plant and equipment Office furniture and equipment Motor vehicles Computer equipment and software	Life of mine – straight line Life of mine – units-of-production 6 years – straight-line 5 years – straight-line 3 years – straight-line
Mining assets • Mining assets are stated at cost, less accumulated amortization and impairments. • All separately identifiable equipment is amortized over the estimated useful life of the asset. • Amortization is first charged on new mining ventures from the date on which production reaches commercial quantities.	Life of mine
Mine infrastructure • Mine infrastructure costs include expenditures incurred to develop new ore bodies, to define further mineralization in existing ore bodies and to expand the capacity of a mine. Cost includes pre-production expenditures incurred during the development of the mine to the extent it provides access to gold and uranium bearing deposits and have future economic benefit. Cost also includes borrowing costs capitalized during the construction period where such costs are financed by borrowings. • Mine infrastructure costs are amortized using the units-of-production method, based on proven and probable reserves. These reserves are reassessed annually.	Proven and probable reserves
Mining rights • The cost of acquiring mining rights are capitalized and amortized over the mining period awarded by the Department of Minerals and Energy (DME) to the Corporation for the respective mining right. If the mining right period exceeds the estimated life of mine, then the amortization period is limited to the life of mine.	Mining period as per licence – straight-line

Exploration costs incurred to the date of establishing that a property has mineral reserves, which have the potential of being economically recoverable, are expensed. Exploration and development expenses incurred subsequent to this date are capitalized. If the project becomes feasible, the costs are amortized over the life of the mine. If the project is stopped, the costs are written off immediately.

Once a development mineral property goes into commercial production, the property is classified as “Producing” and the accumulated costs are amortized over the estimated recoverable reserves in the current mine plan using a unit-of-production basis. Commercial production occurs when the operation has reached a steady state of production.

Costs associated with start-up activities on constructed plants are deferred from the date of mechanical completion of the facilities until the date the Corporation is ready to commence service. Any revenues earned during this period are recorded as a reduction in deferred start-up costs. These costs are amortized using the units-of-production method over the life of the mine, commencing on the date of commercial service.

The amortization charge for each period is recognized in earnings or loss unless it is included in the carrying amount of another asset.

2.6 Capitalization of interest

Net interest costs incurred during the development, construction and start-up phase of major projects are capitalized.

2.7 Asset retirement obligations

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the year in which it incurs a legal obligation associated with the retirement of tangible long-lived assets resulting from the acquisition, construction, development, and/or normal use of the assets. The obligations are measured initially at fair value and the resulting costs are capitalized and added to the carrying value of the related assets. In subsequent periods, the liability is adjusted for the accretion of the discount and the expense is recorded in the statement of operations, deficit, and comprehensive income. Changes in the amount or timing of the underlying future cash flows are immediately recognized as an increase or decrease in the carrying amounts of the liability and related assets. These costs are amortized to the results of operations over the life of the asset.

The Corporation's activities are subject to numerous governmental laws and regulations. Estimates of future reclamation liabilities for asset decommissioning and site restoration are recognized in the period when such liabilities are incurred. These estimates are updated on a periodic basis and are subject to changing laws, regulatory requirements, changing technology and other factors which will be recognized when appropriate. Liabilities related to site restoration include long-term treatment and monitoring costs and incorporate total expected costs net of recoveries. Expenditures incurred to dismantle facilities, restore and monitor closed resource properties are charged against the related reclamation and remediation liability.

2.8 Impairment of long-lived assets

The Corporation applies CICA Handbook Section 3063: Impairment of Long-Lived Assets which provides standards for the recognition, measurement and disclosure of impairment of long-lived assets including property, plant and equipment. Long-lived assets are assessed by management for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value and is charged to the results of operations. Fair value represents future undiscounted cash flows from an area of interest, including estimates of selling price and costs to develop and extract the mining assets.

2.9 Future income and mining taxes

The Corporation utilizes the asset and liability method of accounting for income and mining taxes. Under the asset and liability method, future income and mining tax assets are recognized for the future tax consequences attributable to differences between the consolidated financial statements' carrying amounts of existing assets and liabilities and their respective tax bases, reduced by a valuation allowance to reflect the recoverability of any future income tax asset. Future income and mining tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income and mining tax assets and liabilities of a change in tax rates is recognized in income in the year the enactment or substantive enactment occurs.

2.10 Stock-based compensation

The Corporation has a stock-based compensation plan which is described in Note 14. The Corporation accounts for all stock-based payments under the fair value based method.

Under the fair value based method, stock-based compensation cost is measured at fair value at the grant date and recognized in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognized in contributed surplus. Upon the exercise of a stock option, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus. The fair value previously recognized in earnings relating to forfeited stock options is debited to contributed surplus and credited to the statement of operations and deficit, and comprehensive loss.

2.11 Interest recognition

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Corporation.

2.12 Leased assets

Leases of property, plant and equipment, where the Corporation has substantially all the risks and rewards of ownership, are classified as capital leases. Capital leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding obligations, net of finance charges, are included in other liabilities. The interest element of the installment is charged to the statement of operations and deficit, and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under capital leases are amortized over the shorter of the useful life of the asset or the lease term.

2.13 Inventories

Inventories include ore stockpiles, gold work-in-progress and spares and consumables, and are recorded at the lower of cost or net realizable value. The cost of ore stockpiles and gold produced is determined principally by the weighted average cost method using related production costs. Costs of gold produced inventories include costs such as milling costs, mining costs and mine general and administration costs but exclude transport, refining and taxes. Net realizable value is determined with reference to current market prices. Stockpiles consist of ore to be processed through the processing plant. The stockpiles have been sampled and evaluated and are on surface. All ore is expected to be fully processed within the life of mine. Spares and consumable stores are valued at weighted average cost after appropriate impairment of redundant and slow moving items.

2.14 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of title and ownership of the concentrate are transferred, and collection is reasonably assured.

2.15 Earnings or loss per share

Basic earnings or loss per share is computed by dividing earnings or loss available to common shareholders by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted earnings or loss per share. Diluted earnings or loss per share is similar to basic earnings or loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that stock options with an average market price for the period greater than their exercise price are exercised and the proceeds used to repurchase common shares. In applying the treasury stock method, options with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings or loss per share, as the effect is anti-dilutive.

For convertible securities that may be settled in cash or shares at the holder's option the more dilutive of cash settlement and share settlement is used in computing diluted earnings or loss per share. Where the exchange price of the convertible securities is greater than the common share price, their impact on the diluted earnings or loss per share is excluded from the calculation, as they are considered anti-dilutive.

2.16 Financial instruments

Transaction costs for financial assets and financial liabilities

For a financial asset or financial liability classified other than as held-for-trading, the Corporation has added the transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability to the fair value of that asset or liability established at the recognition of that asset or liability.

2.17 Comparative figures

Certain 2007 comparative figures have been reclassified to conform to the presentation adopted in 2008.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the Corporation adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA):

- Handbook Section 1530 – Comprehensive Income
- Handbook Section 3855 – Financial Instruments – Recognition and Measurement

As provided under the standards, the comparative consolidated financial statements have not been restated. There were no transitional effects and as a result no adjustments have been recorded to deficit as at April 1, 2007.

Section 1530 – Comprehensive income

This section describes the reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income or loss consists of changes in the equity of the Corporation from sources other than the Corporation's shareholders, and includes earnings or losses of the Corporation, the foreign currency translation adjustment relating to self sustaining foreign operations and unrealized gains and losses on changes in fair values of available-for-sale assets and effective cash flow hedging instruments. Other comprehensive income or loss comprises revenues, expenses and gains and losses that are recognized in comprehensive income or loss but are excluded from earnings or losses for the year. This change in accounting policy had no effect on the consolidated financial statements of First Uranium.

Section 3855 – Financial instruments – recognition and measurement

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition, except for certain related party transactions. Fair value is the amount at which an item could be exchanged between willing parties. Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

The Corporation designated certain financial assets and financial liabilities and adopted the following new accounting policies:

Cash and cash equivalents

Cash and cash equivalents are classified as "assets available-for-sale" and are measured at fair value at each balance sheet date. Any changes in fair value are recognized in Other comprehensive income in the period in which the change arises. Fair value is calculated using published price quotations in an active market, where applicable. The carrying amounts for cash and cash equivalents at March 31, 2008 approximated their fair values because of their short terms of maturity; no adjustments were made to the opening values.

Accounts receivable and receivables from related parties

These assets are classified as "loans and receivables" and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts for these assets as at March 31, 2008 approximated their fair values because of their short terms of maturity; no adjustments were made to the opening values.

Asset retirement funds

Asset retirement funds are classified as "assets available-for-sale" and are measured at fair value at each balance sheet date. Any changes in fair value are recognized in Other comprehensive income in the period in which the change arises. Fair value is calculated using the quoted prices of equities in an active market, with interest and dividends recognized in net income. Any equities without market quotes are carried using the cost method. The carrying values for the asset retirement funds as at March 31, 2008 approximated their fair values; no adjustments were made to the opening values.

Accounts payable and accrued liabilities and payable to related parties

These liabilities are classified as "other financial liabilities" and are initially measured at their fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying values for these liabilities as at March 31, 2008 approximated their fair values; no adjustments were made to the opening values.

Senior unsecured convertible debentures

The sum of the carrying amounts assigned to the liability and equity components of the convertible debentures on initial recognition is always equal to the carrying amount that would be ascribed to the instrument as a whole. The debt portion is recorded at fair value on initial recognition and subsequently accreted over the life of the convertible debentures. No gain or loss arises from recognizing and presenting the components of the instrument separately. The relative fair value method is used to determine the value of the option directly either by reference to the fair value of a similar option, if one exists, or by using an option pricing model. The value determined for each component is then adjusted on a pro rata basis to the extent necessary to ensure that the sum of the carrying amounts assigned to the components equals the amount of the consideration received for the convertible debentures.

Section 1506 – Accounting changes

In July 2006, the CICA issued a new version of Section 1506 of the CICA Handbook, "Accounting Changes". This new standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors. This new section was adopted by the Corporation on January 1, 2007 and had no impact on the Corporation's results.

Accounting policy choice for transaction costs

On June 1, 2007, CICA Emerging Issues Committee issued Abstract no. 166, "Accounting Policy Choice for Transaction Costs" (EIC 166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. EIC 166 requires retroactive application to all transaction costs accounted for in accordance with Section 3855. The current recognition policy for transaction costs is consistent with this guidance.

On December 1, 2007, the CICA issued the following new accounting standards which became effective for interim periods beginning on or after October 1, 2007:

Section 1535 – Capital disclosures

This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The Corporation has included disclosures recommended by Section 1535 in Note 22.

Section 3862 – Financial instruments – disclosures

This section describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risk arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Corporation has included disclosures recommended by Section 3862 in Note 23.

Section 3863 – Financial instruments – presentation

This section establishes standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirement of Section 3861, "Financial Instruments – Disclosure and Presentation". The Corporation has included disclosures recommended by Section 3863 in Note 23.

Future accounting standards

The CICA issued the following amendments to the accounting standards for periods beginning on or after January 1, 2008:

General standards on financial statement presentation

Section 1400 "General standards on financial statement presentation" has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Corporation does not expect the adoption of these changes effective January 1, 2008, to have an impact on its consolidated financial statements.

Inventories

Section 3031 "Inventories" provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign cost to inventories. The Corporation does not expect the adoption of these changes effective January 1, 2008, to have an impact on its consolidated financial statements.

Goodwill and intangible assets

Section 3064, "Goodwill and intangible assets" establishes revised standards for recognition measurement, presentation and disclosure of goodwill and intangibles assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, "Revenues and expenses during the pre-operating period". As a result of the withdrawal of EIC 27, the Corporation will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. This is effective for periods beginning on or after January 1, 2009.

4. BUSINESS ACQUISITION

Acquisition of Mine Waste Solutions (Proprietary) Limited

First Uranium, through its wholly owned subsidiary, FUSA, acquired all of the issued and outstanding shares of MWS. MWS owns and operates an existing gold mine tailings and re-processing facility adjacent to First Uranium's Buffelsfontein Tailings Recovery Project in South Africa.

The MWS acquisition closed on June 6, 2007 (effective date of acquisition), at which point First Uranium assumed management control of MWS.

A total consideration of $32.3 million was paid for the MWS acquisition in the form of an issuance of 3.1 million First Uranium common shares valued at $31.6 million and $0.7 million in cash for transaction costs.

The acquisition was accounted for by the purchase method of accounting and the allocation of fair value to the assets acquired and liabilities assumed as at June 6, 2007 was:

(in thousands of dollars)	Book value	Fair value adjustments	Fair value
Current assets	4,608	–	**4,608**
Asset retirement fund	1,950	–	**1,950**
Property, plant and equipment	5,226	35,204	**40,430**
Total assets acquired	11,784	35,204	**46,988**
Current liabilities	1,476	–	**1,476**
Lease obligations	28	–	**28**
Asset retirement obligation	2,777	–	**2,777**
Future tax liability	236	10,209	**10,445**
Total liabilities assumed	4,517	10,209	**14,726**
Net assets acquired	7,267	24,995	**32,262**

Current assets include cash and cash equivalents of $2.0 million (see Note 20.5).

The excess of the purchase consideration over the net book value of MWS was attributed to the Tailings for processing of $29.6 million and $5.6 million adjustment of the fair value of property, plant and equipment obtained with the MWS acquisition less the related future tax liability arising on these assets.

5. ACCOUNTS RECEIVABLE

(in thousands of dollars)	2008	2007
Trade receivables	**3,100**	99
Value Added Tax and Goods and Services Tax	**6,538**	1,463
Prepayments and advances	**80**	144
Deposits and guarantees	**2**	7
	9,720	1,713

6. INVENTORIES

(in thousands of dollars)	**2008**	2007
Gold work-in-progress	**514**	–
Spares and consumables	**1,550**	292
Stockpiles	**744**	–
	2,808	292

7. PROPERTY, PLANT AND EQUIPMENT

March 31, 2008 (in thousands of dollars)	**Cost**	**Accumulated amortization**	**Net carrying amount**
Land and buildings	**1,616**	**(44)**	**1,572**
Mine infrastructure	**81,642**	**(143)**	**81,499**
Mining assets	**17,922**	**–**	**17,922**
Tailings for processing	**29,642**	**(1,197)**	**28,445**
Mining rights	**55**	**–**	**55**
Plant and equipment	**72,228**	**(139)**	**72,089**
Exploration	**1,010**	**–**	**1,010**
Motor vehicles	**1,080**	**(101)**	**979**
Office furniture and equipment	**517**	**(38)**	**479**
Computer equipment and software	**729**	**(129)**	**600**
Total	**206,441**	**(1,791)**	**204,650**

March 31, 2007 (in thousands of dollars)	**Cost**	**Accumulated amortization**	**Net carrying amount**
Land and buildings	863	–	863
Mine infrastructure	3,710	–	3,710
Mining assets	16,942	–	16,942
Mining rights	13	–	13
Plant and equipment	9,000	–	9,000
Motor vehicles	179	(8)	171
Office furniture and equipment	56	(1)	55
Computer equipment and software	205	(5)	200
Total	30,968	(14)	30,954

Included in the above are mining related assets with a net carrying amount of $124.6 million (March 31, 2007 $29.0 million) related to the Ezulwini Mine and $43.9 million (March 31, 2007: $0.8 million) related to MWS.

As at March 31, 2008 all property, plant and equipment were owned by the Corporation, except for motor vehicles with a net carrying amount of $0.02 million, which are held under capitalized lease contracts.

Ezulwini Mine

The Ezulwini Mine project involves the recommissioning of an underground uranium and gold mining operation located on the outskirts of the town of Westonaria in Gauteng Province, South Africa. The Corporation has been in the process of ramping up underground production. The development of the Ezulwini Mine includes the rehabilitation and re-engineering of the main mine shaft through the installation of a floating steel tower, de-stressing the area where the shaft pillar intersects the shaft barrel, and the construction of uranium and gold processing facilities.

EMC purchased certain surface and underground assets relating to the Ezulwini Mine for a total consideration of $7.8 million, effective December 22, 2006.

As part of the Ezulwini acquisition, the related environmental rehabilitation trust fund amounting to $2.7 million (see Note 8, Asset retirement funds) was transferred into the Ezulwini trust fund and EMC took over the related environmental rehabilitation provision of $5.1 million (see Note 12, Asset retirement obligations), as determined by the DME. The difference of $2.4 million between the environmental rehabilitation trust fund and the environmental rehabilitation provision has been capitalized as part of mining infrastructure.

On December 8, 2006, the Ezulwini mining right was awarded to Simmer & Jack by the DME. On December 20, 2006, EMC and Simmer & Jack entered into an agreement (the Ezulwini Mining Right Agreement), pursuant to which Simmer & Jack agreed to take all necessary steps to obtain all ministerial approvals in order to effect the transfer of the Ezulwini mining right from Simmer & Jack to EMC. On March 20, 2008, the DME accepted Simmer & Jack's application to cede the Ezulwini mining right from Simmer & Jack to EMC.

MWS

MWS is a uranium and gold tailings recovery operation located in the western portion of the Witwatersrand Basin. With the MWS acquisition (see Note 4), the Corporation acquired an existing operating gold mine tailings re-processing facility and an historic uranium plant, adjacent to the Buffelsfontein property, where the Buffelsfontein Tailings are now being treated. The Corporation commissioned the pump station and a pipeline between the MWS property and the Buffelsfontein property during December 2007 and hydraulic mining of the Buffelsfontein Tailings commenced.

During December 2006, FUSA entered into an agreement to acquire surface tailings from Buffelsfontein Gold Mines Limited (BGM), a subsidiary of Simmer & Jack (the Buffelsfontein Tailings and Rights Agreement). It was originally contemplated that the transaction would be recognized on the satisfaction of the conditions precedent in the Buffelsfontein Tailings and Rights Agreement. While the conditions have not yet been satisfied, MWS commenced processing the material from the Buffelsfontein Tailings in December 2007. All the benefits thereof accrued to MWS, and consequently, MWS assumed the asset retirement obligation related to the Buffelsfontein Tailings (see Note 12, Asset retirement obligations). The corresponding asset of $10.2 million associated with the Buffelsfontein Tailings is capitalized as part of tailings for processing and amortized over the estimated life of the Buffelsfontein Tailings.

8. ASSET RETIREMENT FUNDS

(in thousands of dollars)	**2008**	2007
Balance, beginning of the year	**2,791**	–
Trust fund assumed on acquisition of Ezulwini Mine	**–**	2,686
Trust fund assumed on acquisition of MWS (see Note 4)	**1,950**	–
Investment income	**194**	82
Contributions in respect of investment funds	**109**	103
Costs incurred	**–**	(80)
Foreign exchange differences	**(197)**	–
Balance, end of the year	**4,847**	2,791

The asset retirement funds, consisting of environmental rehabilitation trust funds under the Corporation's control are to be used to fund the respective mining operation's rehabilitation liabilities. Funds in the trust consist primarily of cash held in interest-bearing accounts, as well as investment funds which consist of a combination of South African effective trusts. An accredited South African financial institution manages the trust funds under the direction of the trustees. The trust deed limits the trustees' investments to institutions and investment vehicles as referred to in section 37A of the South African Income Tax Act. Trust funds can only be drawn for rehabilitation purposes.

9. GUARANTEES

The following guarantees have been issued:

To	Regarding	Guarantee value ($000)
DME	Ezulwini environmental rehabilitation provision	**4,585**
Murray and Roberts Cementation (Pty) Ltd	Ezulwini shaft rehabilitation project	**1,220**
Eskom Holdings Ltd	Electricity accounts	**1,037**

The Ezulwini rehabilitation trust funds included in the asset retirement funds (see Note 8) have been pledged as security against all of the above guarantees. These guarantees are reviewed and renewed on an annual basis. The guarantee concerning the Murray and Roberts Cementation (Pty) Ltd will be terminated once the shaft rehabilitation project is complete.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	2008	2007
Trade payables	**17,664**	5,302
Accruals	**6,639**	400
	24,303	5,702

The trade payables primarily relate to capital expenditure of $8.7 million and $0.7 million at the Ezulwini Mine and MWS, respectively.

11. SENIOR UNSECURED CONVERTIBLE DEBENTURES

On May 3, 2007 First Uranium issued senior unsecured convertible debentures (the Debentures) in denominations of $1,000 Canadian dollars (Cdn$) in the principal amount of $135.1 million (Cdn$150 million). The interest rate on the Debentures is 4.25% per annum. The Debentures pay interest semi-annually in arrears on June 30 and December 31 and have a maturity date of June 30, 2012. The Debentures are convertible at the option of the holder into common shares at any time prior to the maturity date at an exchange price of Cdn$16.42 per share.

The Debentures may not be redeemed by the Corporation prior to June 30, 2010. On or after June 30, 2010 and prior to the maturity date, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, provided that the weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 130% of the exchange price of Cdn$16.42 per share.

First Uranium has the option, subject to regulatory approval, to satisfy its obligations to repay the principal amount of the Debentures on redemption or at maturity by issuing and delivering that number of its freely tradable common shares obtained by dividing the principal amount of the Debentures by 95% of the weighted average trading price of its common shares on the TSX for the 20 consecutive trading days ending five trading days before the date fixed for the redemption or maturity.

The equity component of the Debentures was valued on issuance at $46.5 million which is recorded as a separate component of shareholders' equity. The conversion option was valued using the Black-Scholes pricing model with the following assumptions: Expected dividend yield, 0%; expected volatility, 56%; risk-free interest rate of 4.2% and expected life of five years.

The liability component of the Debentures is being accreted such that the liability at maturity will equal the gross proceeds of $135.1 million (Cdn$150 million) less conversions. The amounts accreted during the year ended March 31, 2008 was $8.5 million (March 31 2007: $nil). The cost of issuing the Debentures amounted to $4.5 million.

As at March 31, 2008, no portion of the Debenture had been converted. Interest paid and accrued for the year ended March 31, 2008 amounted to $4.2 million and $1.6 million, respectively.

12. ASSET RETIREMENT OBLIGATIONS

(in thousands of dollars)	**2008**	2007
Balance, beginning of the year	**5,377**	–
Provision assumed on acquisition of the Ezulwini Mine	**–**	5,133
Provision assumed on acquisition of MWS (see Note 4)	**2,777**	–
Provision recognized with commencement of processing the Buffelsfontein Tailings	**10,162**	–
Accretion expense	**896**	244
Rehabilitation expenditure incurred	**(1,841)**	–
Additional rehabilitation provision on MWS	**2,530**	–
Balance, end of the year	**19,901**	5,377

The following are the key assumptions used during the year:

(in thousands of South African rand)	**2008**	2007
Gross amount of estimated cash flows – Ezulwini Mine	**40,495**	23,206
Gross amount of estimated cash flows – MWS	**178,195**	–
Number of years over which cash flows will occur:		
Ezulwini Mine	**26**	19
MWS	**25**	–
First Uranium credit-adjusted risk free rate	**9%**	8%
South African inflation rate assumed	**6%**	6%

The environmental rehabilitation provision assumed by EMC as part of the acquisition of the Ezulwini assets was determined by the DME as at November 2006. During March 2008 an independent review was performed by Johan Fourie & Associates on the Ezulwini assets relating to environmental rehabilitation provision that confirmed the current cost estimate of the provision at March 31, 2008 was sufficient.

The environmental rehabilitation provision assumed as part of the MWS acquisition is to be partly funded by its environmental rehabilitation trust fund (see Note 8). During March 2008, an independent valuation of the environmental rehabilitation provision was completed by GCS (Proprietary) Limited, a water environmental engineering and science consultancy company. The provision was based on the estimated cost to rehabilitate the mine.

The environmental rehabilitation provision associated with the Buffelsfontein Tailings was recognized with the commencement of the hydraulic mining of the Buffelsfontein Tailings in December 2007. Management estimated the respective environmental rehabilitation provision assumed at $10.2 million (see Note 7).

13. SHARE CAPITAL

Common shares

	Number of shares (000)		($000)	
	2008	2007	**2008**	2007
Balance, beginning of the year	**121,686**	87,536	**206,726**	4,176
Shares issued in public or private offering	**–**	33,350	**–**	201,795
Shares issued in respect of acquisition (see Note 4)	**3,094**	–	**31,557**	–
Shares issued pursuant to the Waterpan transaction (see Note 1)	**6,141**	–	**–**	–
Exercise of stock options	**153**	800	**1,063**	728
Contributed surplus relating to stock options exercised	**–**	–	**642**	27
	131,074	121,686	**239,988**	206,726
Less: Share issue costs	**–**	–	**(24,053)**	(24,053)
Balance, end of the year	**131,074**	121,686	**215,935**	182,673

Authorized

The authorized share capital of First Uranium consists of an unlimited number of common shares.

Issued and outstanding

On June 1, 2006, 800,000 stock options were exercised for proceeds of $0.7 million.

During December 2006, First Uranium issued 33.35 million shares pursuant to the Offering at Cdn$7 per share for gross proceeds of $201.8 million.

On June 6, 2007, First Uranium issued 3.1 million shares valued at $31.6 million relating to the acquisition of MWS (see Note 4).

On December 14, 2007, First Uranium issued 6.1 million shares pursuant to the Offering (see Note 1).

During the year ended March 31, 2008, 153,001 stock options were exercised, at an exercise price of Cdn$7 per share.

14. CONTRIBUTED SURPLUS – STOCK-BASED COMPENSATION

The Corporation maintains a stock option plan (the Option Plan) for employees, officers, directors and for certain consultants who provide ongoing support to First Uranium and its subsidiaries. Under the Option Plan, options typically are granted for a period of up to ten years following the date of grant. The amounts granted reflect the level of responsibility of the particular optionee and his or her contributions to First Uranium.

The Board of Directors has discretion to set the terms of any vesting schedule of each option granted. Except in specified circumstances, stock options are not assignable and non-transferable and terminate 90 days after the optionee ceases to be employed or associated with First Uranium.

The terms of the Option Plan further provide that the price at which shares may be issued under the Option Plan shall not be less than the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding the day the option is granted.

The following table details the movements of contributed surplus during the year:

(in thousands of dollars)	2008	2007
Balance, beginning of the year	**2,460**	27
Transfer to share capital relating to stock options exercised	**(642)**	(27)
Stock options vesting expense recognised during the year	**6,039**	2,460
Stock options forfeited during the year	**(849)**	–
Balance, end of year	**7,008**	2,460

Assumptions

The fair value of shares used to calculate the compensation expense was determined using the share price on the grant date and was adjusted for the probability of the recipients remaining employed or associated with the Corporation until the vesting date.

During the year ended March 31, 2008, the fair values of the stock options were estimated using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield – 0% (March 31, 2007: 0%)

Expected volatility of the Corporation's share price ranged between 56% and 66.7% (March 31, 2007: 85%).

Risk-free interest rate ranged between 3.84% and 4.81% (March 31, 2007: 3.90%).

Expected life – 3 years (March 31, 2007: 3 years)

During the year ended March 31, 2008, 2,551,433 stock options were granted for a period of ten years following the date of the grant and are subject to vesting within two years from the date of grant. The fair value of the stock options granted during the year ended March 31, 2008 was Cdn$9.4 million. The weighted average fair value of each stock option granted was Cdn$3.70 per share.

The following table is a summary of the Corporation's options granted under its stock-based compensation plan:

	Number of options		**Weighted average exercise price (Cdn$)**	
	2008	2007	**2008**	2007
Outstanding options, beginning of year	**1,223,001**	800,000	**7.30**	1.00
Granted during the year	**2,551,433**	1,223,001	**9.02**	7.30
Exercised during the year	**(153,001)**	(800,000)	**(7.00)**	(1.00)
Forfeited during the year	**(182,477)**	–	**(7.56)**	–
Outstanding options, end of year	**3,438,956**	1,223,001	**9.13**	7.30

The stock-based compensation expense recognized in the statements of operations and deficit and comprehensive loss was $5.0 million (March 31, 2007: $2.5 million). During the year ended March 31, 2008 $0.2 million stock-based compensation was capitalized to the projects (March 31 2007: $nil). As at March 31, 2008, the aggregate unexpensed fair value of unvested stock options granted amounted to $5.8 million (March 31, 2007: $2.9 million).

The following table summarizes information about First Uranium's outstanding stock options as at March 31, 2008:

	Options outstanding			Options exercisable		
Exercise price ranges (Cdn$)	**Number of options outstanding**	**Weighted average remaining life (years)**	**Weighted average exercise price (Cdn$)**	**Number of options exercisable**	**Weighted average remaining life (years)**	**Weighted average exercise price (Cdn$)**
7.00 to 8.99	**3,057,670**	**9.58**	**8.83**	**1,263,387**	**9.42**	**8.09**
9.00 to 11.99	**321,286**	**9.45**	**11.31**	**152,475**	**9.32**	**10.12**
12.00 to 13.99	**60,000**	**9.17**	**12.87**	**20,000**	**9.17**	**12.87**
	3,438,956	**9.56**	**9.13**	**1,435,862**	**9.40**	**8.37**

15. CONTRIBUTION FROM PARENT

(in thousands of dollars)	**2008**	2007
Balance, beginning of year	**–**	–
Stock-based compensation relating to parent	**153**	–
Balance, end of year	**153**	–

These contributions represent the stock-based compensation relating to stock options granted under the Simmer & Jack stock option scheme to individuals that were previously employed by Simmer & Jack and that got transferred to First Uranium during the year. During the year ended March 31, 2008, 7.6 million Simmer & Jack stock options were granted to these employees. The weighted average fair value of the Simmer and Jack options assumed was ZAR4.3 per stock option. The fair value of these stock options was ZAR22 million ($2.8 million).

The fair values of the stock options were estimated using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield – 0%

Expected volatility of Simmer & Jack's share price ranged between 56% and 90%

Risk-free interest rate ranged between 8.98% and 10.02%

Expected life – 6 years

Vesting period – 3 years

16. TAXATION

Provision for income taxes

The reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery, using a Canadian statutory tax rate of 35.47% for the year ended March 31, 2008 (March 31, 2007: 36.12%), is as follows:

(in thousands of dollars)	**2008**	2007
Loss before income taxes	**(21,381)**	(7,907)
Income tax recovery at statutory rate	**7,584**	(2,864)
Difference between Canadian rates and foreign jurisdiction	**(636)**	130
Change in valuation allowance	**5,322**	3,536
Adjustment for future tax rate difference	**(2,716)**	(612)
Non-taxable items	**(10,398)**	(211)
Other	**(122)**	–
Income tax charge	**(966)**	(21)

Future income tax assets

(in thousands of dollars)	2008	2007
Property, plant and equipment	**4**	–
Non-capital loss carry-forwards	**5,684**	1,602
Share issue costs	**6,697**	6,629
Foreign resource expenses	**1,102**	1,099
Foreign exchange	**6,040**	850
	19,527	10,180
Less: Valuation allowance	**(19,527)**	(10,180)
	–	–

Future income tax liabilities

(in thousands of dollars)	2008	2007
Property, plant and equipment	**(10,649)**	–
	(10,649)	–

As at March 31, 2008, the Corporation had non-capital losses of approximately $7.1 million (March 31, 2007: $4.9 million) in Canada that may be applied against earnings in future years. These losses are expected to expire between 2026 and 2028. The Corporation had non-capital losses of approximately $12.3 million (March 31, 2007: $1.5 million) in South Africa that may be applied against earnings in future years, unlimited.

Due to uncertainties in the Corporation's ability to utilize its net operating losses in all of its operations, the Corporation has provided a valuation allowance against those future tax assets for which uncertainty exist.

17. OTHER INCOME

(in thousands of dollars)	2008	2007
Sludge pumping income	**1,929**	27
Rental income	**503**	–
Scrap sales	**242**	–
Other income	**64**	–
	2,738	27

18. FOREIGN EXCHANGE LOSSES

(in thousands of dollars)	2008	2007
Foreign exchange losses	**(2,611)**	(4,612)

19. BASIC AND DILUTED LOSS PER COMMON SHARE

	2008	2007
Basic and diluted loss per share of ($)	**(0.18)**	(0.08)
is calculated based on loss for the year of ($000)	**(22,347)**	(7,928)
and a weighted average number of common shares outstanding of (000)	**126,096**	97,522

For the years ended March 31, 2008 and 2007, the impact of outstanding share options was excluded from the diluted common shares calculation because it was anti-dilutive for earnings per share purposes.

The impact of the Debentures issued on May 3, 2007, has been excluded from the diluted common shares computation because it was anti-dilutive for earnings per share purposes.

20. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

20.1 Non-cash interest income

(in thousands of dollars)	2008	2007
Total interest income	**14,847**	3,433
Add back: Cash interest income	**(14,653)**	(2,767)
	194	666

20.2 Non-cash interest expense

(in thousands of dollars)	2008	2007
Total interest expense	**(5,782)**	(162)
Add back: Cash interest paid	**4,203**	–
	(1,579)	(162)

20.3 Decrease (increase) in net receivables from/payable to related parties

(in thousands of dollars)	2008	2007
Decrease (increase) in receivables from related parties	**6,763**	(4,033)
Increase (decrease) in payable to related parties	**541**	(5,300)
Add back:		
Interest income accrued on accounts receivable	**–**	583
Interest expense accrued on accounts payable	**–**	(1,130)
	7,304	(9,880)

20.4 Additions to property, plant and equipment

(in thousands of dollars)	2008	2007
Total additions to property, plant and equipment	**(140,541)**	(30,968)
Add back:		
Asset associated with MWS (no cash outflow)	**5,493**	–
Capital expenditure included in Trade payables	**9,386**	3,282
Assets associated to the Asset rehabilitation obligation	**12,692**	2,447
Stock-based compensation included in Property, plant and equipment (see Note 14)	**219**	–
Capitalized interest	**–**	969
	112,751	(24,270)

20.5 Net cash movement on acquisition of MWS

(in thousands of dollars)	2008	2007
Cash and cash equivalents taken over on date of acquisition	**1,953**	–
Less: Expenses related to MWS acquisition	**705**	–
	1,248	–

20.6 Supplementary information with respect to the consolidated statements of cash flows

Non-cash investing and financing activities include the following:

(in thousands of dollars)	2008	2007
Buffelsfontein Tailings acquired with commencement of processing (see Note 7)	**10,162**	–
Shares issued with the acquisition of MWS (see Note 13)	**31,557**	–

21. COMMITMENTS

Lease agreement

The Corporation has an operating lease agreement which expires on May 31, 2012. The total rent expense charged under this agreement was $69,125 (March 31, 2007: $nil).

Minimum lease payments under the operating lease in effect through 2013 are as follows:

(in thousands of dollars)	
Year 2009	91
Years 2010 to 2012	279
Year 2013	16
	386

Capital commitments

(in thousands of dollars)	2008	2007
Ezulwini Mine	**35,128**	14,836
MWS	**5,173**	–
Total contractual obligations	**40,301**	14,836

The capital commitments are payable within one year.

Toll treatment agreement

The Corporation entered into an agreement with a third party, commencing in January 2009, to calcine the ammonium diuranate (yellowcake) from First Uranium to produce uranium oxide packaged for dispatch to converters. Either party may terminate the agreement on 18 months notice. The third party calciner will construct a plant with one half of the capacity of the plant to be dedicated for the processing of the First Uranium yellowcake and will acquire a road tanker to transport the yellowcake from the First Uranium operations to the calciner's operations. First Uranium will pay one-half of the construction cost of the calcining plant up to a maximum of $1.8 million and one half of the cost of the tanker (together referred to as the Loan). The Loan will be effective as of January 5, 2009 and is to be repaid in monthly instalments over a seven year period commencing January 30, 2009. The Loan will bear interest equal to the prime overdraft rate as quoted by the South African Reserve Bank (SARB), plus 2% commencing on January 5, 2009.

Royalty agreements

On December 20, 2006, FUSA, Simmer & Jack and Aberdeen International Incorporated (Aberdeen) entered into an arrangement (the Aberdeen Arrangement) pursuant to which (i) Simmer & Jack confirmed that it will pay to Aberdeen the amount of any royalty owing to Aberdeen under the Aberdeen Loan Agreement in respect of gold produced from the tailings to be acquired by FUSA from BGM, pursuant to the Buffelsfontein Tailings and Rights Agreement, and (ii) FUSA confirmed that it will pay to Simmer & Jack, immediately prior to any payment contemplated in (i) above, an amount equal to the amount of any royalty payment to be made by Simmer & Jack to Aberdeen in respect of gold produced from the tailings to be acquired by FUSA from BGM, pursuant to the Buffelsfontein Tailings and Rights Agreement.

Pursuant to the Buffelsfontein Tailings and Rights Agreement dated December 20, 2006 among BGM, Simmer & Jack and FUSA, in consideration for the cession of the Buffelsfontein Tailings and Mining Right from BGM to FUSA, as well as certain servitudes, and the right to the tailings arising from future underground mining operations by BGM at the BGM Underground Mine, FUSA agreed to pay to BGM a royalty of 1%, plus value added tax of the gross revenue earned by FUSA from the sale of uranium, gold, sulphur and other minerals recovered from the processing of tailings acquired by FUSA from BGM pursuant to the Buffelsfontein Tailings and Rights Agreement. When the Corporation purchased MWS in June 2007, the Corporation acquired an existing operating gold mine tailings re-processing facility and an historic uranium plant, adjacent to the Buffelsfontein property. The Corporation changed its plans for the Buffelsfontein Tailings Recovery Project such that the historical and future tailings from the Buffelsfontein mine would be transported to the MWS site and processed through the existing gold plant, and subject to their commissioning, through the planned uranium recovery plant and additional gold recovery facilities. A new agreement has subsequently been entered into between MWS, BGM and Simmer & Jack, that reflects the change in plans subsequent to the Offering with MWS assuming the obligations of FUSA under the original agreement. MWS has indemnified BGM against any tax liability incurred by BGM from the sale recorded on the basis that MWS has no liability unless the amount of any claim exceeds $2 million and then only in respect of any amounts in excess of $2 million.

In summary, as and when there is production from the Buffelsfontein Tailings acquired from BGM, pursuant to the Buffelsfontein Tailings and Rights Agreement, MWS will become liable to pay: (i) to Simmer & Jack, under the Aberdeen Arrangement Agreement, an amount equal to the royalty payable by Simmer & Jack to Aberdeen pursuant to the Aberdeen Agreement in respect of the tailings to be acquired from BGM, pursuant to the Buffelsfontein Tailings and Rights Agreement; and (ii) to BGM the above-mentioned 1% royalty, pursuant to the terms of the Buffelsfontein Tailings and Rights Agreement.

During December 2007, MWS commenced processing the Buffelsfontein Tailings and, as a result, MWS is now obligated to pay a royalty to BGM, pursuant to the Buffelsfontein Tailings and Rights Agreement and make other payments to Simmer & Jack pursuant to the Aberdeen Arrangement in respect of the metals recovered from the Buffelsfontein Tailings. The total royalties expensed amounted to $0.4 million.

22. CAPITAL MANAGEMENT

First Uranium's capital includes convertible debentures and shareholders' equity. The Corporation's objectives when managing shareholders' equity are to provide returns for shareholders and safeguard its ability to continue as a going concern. Mining is capital intensive and the Corporation strives to achieve lowest industry costs at all of its operations and meet cash flow requirements through internally generated cash flows.

The Corporation's current operations involve the re-opening and development of the Ezulwini Mine and the development of MWS. During December 2006, the Corporation raised $177.7 million net proceeds of sale of shares and is dependent on these funds to finance its current operations.

First Uranium intends to use the net proceeds from the issue of the Debentures raised in May 2007 to fund the Ezulwini Expansion Program which is designed to determine the potential for a possible expansion of the Ezulwini Mine; together with the balance of the net proceeds of the Offering, fund the development of the Ezulwini Mine and MWS and for general corporate purposes.

In order to carry out the planned development and exploration and pay for administrative costs, the Corporation plans to spend the capital raised to date, as well as its existing working capital and raise additional amounts as needed. The Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support the development of its operations and the exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

There were no changes in the Corporation's approach to capital management during the year ended March 31, 2008. Neither the Corporation nor its subsidiaries is subject to externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

Financial risk factors

a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to gold sales and value-added taxes receivable. The Corporation has a concentration of credit risk with one customer which is closely monitored by management. Value-added taxes receivable are collectable from the South African government. Management believes that the credit risk concentration with respect to financial instruments attributable to gold sales and value-added taxes receivable is remote.

In addition, the majority of the Corporation's cash and cash equivalents are on deposit with highly-rated financial institutions.

b) Liquidity risk

First Uranium has sufficient funds (March 31, 2008: $164.7 million; March 31, 2007: $138.9 million) to settle current and long term liabilities. The Corporation's accounts payable and accrued liabilities, as well as the payable to related party, have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and gold prices.

i. Interest rate risk

First Uranium has significant cash balances and long-term debt, with the latter having a fixed rate of interest of 4.25% (see Note 11, Senior unsecured convertible debentures). The Corporation's current policy is to invest excess cash in short-term deposits in banks with which it keeps its bank accounts. The Corporation monitors the investments it makes and is satisfied with the credit ratings of its banks.

ii. Foreign currency risk

The Corporation's functional currency is the US$. The Corporation is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the US$ in relation to other currencies impact the fair value of financial assets, liabilities and operating results. The Corporation does not hedge its exposure to foreign currency exchange risk.

Certain short term financial liabilities are denominated in other currencies, predominantly Cdn$ and ZAR. The Corporation's operations are primarily in South Africa and as a result the Corporation has maintained significant cash and cash equivalents during the year in ZAR to meet these operation's short term liquidity requirements. Financial assets and liabilities subject to currency translation risk primarily include non-US$ cash and cash equivalents and the Debentures.

The SARB approval that was required in connection with the issue of the Debentures includes a condition that the Corporation transfers the net Debenture proceeds to bank accounts of the Corporation in South Africa and convert the funds to ZAR, by May 3, 2008. SARB has granted an extension in respect of Cdn$60 million of such funds pending consideration of an application by the Corporation to permit the funds to remain in Canada. As at March, 31 2008, the net proceeds from the issue of the Debentures were held in Canadian dollar denominated short-term deposits bearing interest at 4.85% per annum.

iii. Price risk

Gold price risk is defined as the potential adverse impact on earnings and economic value due to gold price movements and volatilities. The Corporation does not hedge its exposure to commodity price fluctuation risk.

Sensitivity analysis

The Corporation has designated its cash and cash equivalents as available-for-sale, which are measured at fair value. Financial instruments included in accounts receivable and receivables from related party are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and payable to related party are classified as other financial liabilities, which are measured at amortized cost.

Based on management's knowledge and experience of the financial markets, First Uranium believes the following movements are "reasonably possible" over a 12 month period.

As of March 31, 2008, management estimates that if interest rates had changed by 1%, assuming all other variables remained, constant, the impact to net loss would have been approximately $148,466.

Financial instruments that impact the Corporation's operations due to currency fluctuations include:

- Cdn$ denominated cash and cash equivalents, accounts receivable, loan to related party, accounts payable and accrued liabilities, and the debt portion of convertible debentures.
- ZAR denominated cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables to related party.

As at March 31, 2008, management estimates that if the foreign exchange rates had changed 10% against the US$ assuming all other variables remained constant, the impact on net loss would have been approximately as follows:

(in thousands of dollars)	
10% increase in value of Cdn$	**4,240**
10% decrease in value of Cdn$	**(4,240)**
10% increase in value of ZAR	**1,295**
10% decrease in value of ZAR	**(1,295)**

The Corporation's current exposure to price risk on the commodities in which it produces and sells is limited.

Fair value estimation

In assessing the fair value of other financial instruments, the Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The face values less any estimated credit adjustments for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Corporation for similar financial instruments.

As at March 31, 2008, the actual disclosed values of the financial instruments all approximate the fair values of these instruments.

24. RELATED PARTY TRANSACTIONS AND COMMITMENTS

Related party balances

(in thousands of dollars)	**2008**	2007
First Uranium amount from Simmer & Jack	**–**	1,684
Loan to Chief Executive Officer	**978**	–
FUSA amount (to) from Simmer & Jack	**(541)**	5,079
Contribution from parent (see Note 15)	**(153)**	–

Related party transactions

(in thousands of dollars)	**2008**	2007
Shared services fees to Simmer & Jack	**(2,258)**	(2,639)
Fees paid to empowerment company	**(222)**	(53)
Stock-based compensation to parent (see Note 15)	**(153)**	–
Royalties paid to BGM (see Note 21)	**(62)**	–
Capital purchase of asset from BGM	**(1,702)**	–
Interest paid to Simmer & Jack by EMC	**–**	(1,130)
Interest received from Simmer & Jack by FUSA	**–**	583
Interest received on loan to Chief Executive Officer	**15**	–

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the parties involved, having regard to prevailing market rates.

On December 20, 2006, First Uranium and Simmer & Jack entered into a shared services agreement (the Shared Services Agreement). Pursuant to the terms of the Shared Services Agreement, First Uranium may retain certain services to be provided by Simmer & Jack, including project management and technical services, cash management and investment services, accounting, treasury and financial services, corporate secretarial support and human resources and staffing services, including payroll and benefits administration, and such other services as may be required by First Uranium and which Simmer & Jack is able and willing to provide. The expenses for the year ended March 31, 2007 relates to such services received.

During the year ended March 31, 2008, $1.4 million (March 31, 2007: $0.6 million) of the fees to Simmer & Jack pursuant to the Shared Services Agreement were expensed and $0.9 million (March 31, 2007: $2.0 million) of the fees were capitalized, representing services provided in respect of technical services for the Ezulwini Mine and the Buffelsfontein Tailings Recovery Project.

Prior to December 2006, the Corporation shared its premises with other companies that had common directors and reimbursed the related companies for its proportional share of expenses or was reimbursed by the related companies for their proportional share of expenses. During the year ended March 31, 2007, the Corporation was charged $0.6 million for consulting services provided by related directors, officers and consultants of the Corporation.

In addition, First Uranium has agreed to reimburse Simmer & Jack with respect to 50% of fees that Simmer & Jack is required to pay to an empowerment company for consulting services regarding transformation, human resources and occupational health and safety. BJ Njenje, AX Sisulu and SLB Mapisa, shareholders of the empowerment company, are also directors of Simmer & Jack.

On September 13, 2007, the Ezulwini Mine acquired a reconditioned mill for the first 50,000 tonne per month milling unit from BGM for a consideration of $1.7 million.

On September 27, 2007, the Board of Directors approved a loan in the amount of Cdn$1 million to the Chief Executive Officer of First Uranium for the purpose of facilitating his purchase of a family home. The loan is for a term of six years, is unsecured and bears interest at 4% per annum payable monthly in arrears. The loan was advanced on October 17, 2007.

As previously disclosed, the Corporation entered into an agreement on December 20, 2006 with Waterpan for the purchase of the remaining 10% of the shares of EMC in consideration for 6.1 million common shares of First Uranium. On December 14, 2007, EMC obtained a bridging loan from a South African banking institution to purchase Waterpan's 10% shareholding in EMC. Waterpan used the proceeds to partially fund the purchase of 6.1 million common shares (the Waterpan Shares) of First Uranium for a consideration of $42.4 million. First Uranium used the proceeds from the sale of the Waterpan Shares to repay the bridging loan to the South African banking institution and to pay the taxes resulting from the purchase of the EMC shares. Concurrent with the closing of this transaction, one million of the Waterpan Shares were sold by way of a private placement. Waterpan has a contractual agreement to retain its remaining Waterpan Shares until April 1, 2009. Certain shareholders of Waterpan are officers or employees of First Uranium or directors of its subsidiaries. The Waterpan transaction had no net impact on the cash flow of the First Uranium group of companies.

25. SUBSEQUENT EVENTS

During May 2008, the Corporation entered into an agreement for the purchase of a 30 megawatt diesel-fired power plant and associated equipment, refurbished and configured in accordance with the Corporation's specifications for $8.5 million. The vendor will oversee the installation, construction, start-up and commissioning of the power plant at the operations of the Corporation at its own cost. Eighty percent of the purchase price is payable upon shipment of the power plant and the balance upon installation and the successful commissioning at site. The Corporation is responsible for shipping charges of approximately $750,000.

During May 2008, the Corporation also agreed to lease ten self contained diesel powered generating sets (gensets) for an initial term of eighteen months. The fixed monthly rental charge is $13,500 per genset for the first twelve months, reducing to $12,500 per genset thereafter. After the initial eighteen months period, the Corporation has the option to extend the lease agreement period for up to sixty months, in successive twelve month periods. The fixed monthly charge per genset is

$12,500 for months 19 to 24; $12,000 for months 25 to 36; $11,500 for months 37 to 48; and $11,000 for months 49 to 60. If the gensets are rented for sixty months, the Corporation is entitled to purchase the gensets for $50,000 per set. The Corporation is also obligated to pay a monthly fixed charge of $25,000 and a running hourly charge of EUR11.30 ($17.85). These charges are subject to indexation based on consumer prices. The Corporation is also responsible for $75,000 mobilization charges and $56,250 demobilization charges per shipment. The gensets will be installed over a three month period commencing July 2008. The total rental and fixed charges for the initial eighteen month period are estimated at $2.2 million and $0.5 million, respectively.

As the rental period is shorter than the useful life of the gensets, this agreement will be accounted for as an operating lease. This treatment will be reviewed in accordance with any changes that may be made in the successive agreements.

26. SEGMENTED INFORMATION

Segmented information is presented in respect of the Corporation's business and geographical segments. The primary format business segments, are based on the Corporation's management and internal reporting structure. Inter-segment reporting is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest-bearing loans, borrowing and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

March 31, 2008 (in thousands of dollars)		**South Africa**	**Canada**	
	Ezulwini Mine	**MWS***	**Corporate**	**Total**
Revenue	–	21,429	–	21,429
Cost of sales	–	(16,580)	–	(16,580)
Gross profit	–	4,849	–	4,849
Other income	2,733	5	–	2,738
Expenditures				
General, consulting and administrative expenditures	(6,539)	(1,494)	(7,540)	(15,573)
Stock-based compensation	(1,174)	(309)	(3,642)	(5,125)
Pumping, feasibility and rehabilitation costs	(4,557)	(786)	–	(5,343)
	(12,270)	(2,589)	(11,182)	(26,041)
Operating loss before the undernoted	(9,537)	2,265	(11,182)	(18,454)
Interest income	525	374	13,948	14,847
Interest expense	(3)	–	(5,779)	(5,782)
Accretion expense on convertible debentures	–	–	(8,485)	(8,485)
Accretion expense on asset retirement obligations	(388)	(508)	–	(896)
Foreign exchange losses	–	–	(2,611)	(2,611)
Income (loss) before income taxes	(9,403)	2,131	(14,109)	(21,381)
Income tax charge	(24)	(207)	(735)	(966)
Income (loss) for the year	(9,427)	1,924	(14,844)	(22,347)
Total assets	144,819	88,309	154,614	387,742
Total liabilities	(19,327)	(31,887)	(104,060)	(155,274)
Capital expenditure	(92,959)	(19,745)	(47)	(112,751)

** Includes the Buffelsfontein Tailings Recovery Project*

March 31, 2007 (in thousands of dollars)		South Africa	Canada	
	Ezulwini Mine	**MWS***	**Corporate**	**Total**
Other income	27	–	–	27
Expenditures				
General, consulting and administrative expenditure	(675)	(709)	(1,878)	(3,262)
Stock-based compensation	–	–	(2,460)	(2,460)
Pumping and feasibility costs	(871)	–	–	(871)
	(1,546)	(709)	(4,338)	(6,593)
Operating loss before the undernoted	(1,519)	(709)	(4,338)	(6,566)
Interest income	98	583	2,752	3,433
Interest expense	(162)	–	–	(162)
Foreign exchange gains (losses)	1,072	(993)	(4,691)	(4,612)
Loss before income taxes	(511)	(1,119)	(6,277)	(7,907)
Income tax charge	(21)	–	–	(21)
Loss for the year	(532)	(1,119)	(6,277)	(7,928)
Total assets	33,953	6,051	141,423	181,427
Total liabilities	(9,718)	(238)	(1,123)	(11,079)
Capital expenditure	(23,656)	(579)	(35)	(24,270)

** Includes the Buffelsfontein Tailings Recovery Project*